

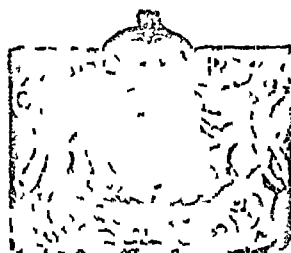
REPORT

OF

THE ASSAM PROVINCIAL BANKING ENQUIRY COMMITTEE.

1929-30.

VOLUME I.



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PART I.

INTRODUCTORY,

CHAPTER I

Object of the enquiry and procedure

1 *Genesis of the Enquiry* — Since 1925 the Government of India had under consideration the best method of surveying the field of banking and of encouraging the development of banking in India. On receipt of replies from the various Local Governments, the Government of India came to the conclusion that the establishment of the contemplated Reserve Bank in India would, to a large extent, remedy some of the main defects in the Indian banking system, and would at the same time improve banking facilities. Further enquiry into banking generally might suitably be postponed till some experience had been gained of the working of the Reserve Bank. In February 1927, Mr. S. N. Hajji moved a resolution in the Legislative Assembly to the effect that a Commission to examine the present condition of banking in India should be appointed. The Government expressed the opinion that the time was inopportune, more especially as the Agricultural Commission which had begun work in October 1926, would deal with the question of the finance of agriculture and of the facilities for agricultural banking. The Reserve Bank Bill was rejected by the Legislative Assembly in February 1928, and the Government of India decided that any enquiry into banking should be deferred till Government had considered the Report of the Agricultural Commission which was presented in April 1928.

2 Towards the end of that year the Federations of Indian Chambers of Commerce urged the necessity of an early appointment of an Indian Banking Enquiry Committee. The view of the Government of India was that the formation of a Central or Reserve Bank was desirable so that India might have a mechanism for the control of currency and credit on lines approved by modern experience. At the same time it was recognised that as such a Central Bank would be the apex of the whole structure, it would have to be adapted to the banking organisation of the country if it was to effectively deal with the actual requirements of the country. From this point of view, a banking enquiry would reveal the actual situation and instruct public opinion as to the actual requirements. Such an enquiry would be divided into two stages, the first, the collection of evidence and the indication of the lines on which increased facilities are required; the second, the consideration by experts of the evidence collected and of the suggestions made by the local committees in the first stage. The main objects of the enquiry would be to examine the existing conditions of banking in India and to make recommendations for the expansion of both indigenous and joint-stock banking and special regard was to be had to the requirements of agriculture, commerce and industry. It was decided to appoint committees for each province whose function would be to collect evidence as to agricultural credit (including

co-operative credit) and credit facilities for small industries; and also as to mortgage banks and the financing of internal trade. These subjects were considered by the Government of India to be the most important of the whole enquiry. India is primarily an agricultural country and from the point of view of the rural population it is of vital importance that the cultivator should be able to obtain the credit he needs for improving his land, for equipment of his holdings and for marketing his produce. At the same time it was necessary to suggest means to stimulate savings and investments and to attract banking deposits. The task of the Central Committee would be to deal with the regulation of banking so that the depositors might be protected, thus increasing confidence in the banking system, with Banking Education, whereby a body of practical bankers might be trained up, and with the development and extension of banking on sound lines which would include an enquiry into industrial banks and the credit facilities for India's main industries like cotton, jute, coal, etc., and into the financing of foreign trade. It was recognised that Provincial Committees might find it necessary to touch incidentally on some matters which were primarily the task of the Central Committee. It would be, in the second stage, the business of the Central Committee after collecting its own evidence and after examining the reports of the Provincial Committees to invoke the assistance of outside experts who would act as an advisory body to enable the Central Committee to make its final recommendations to the Government of India.

3 *Appointment*—By notification No 4566F, dated the 25th June 1929 of the Government of Assam, it was announced for public information that the personnel of the Assam Provincial Banking Enquiry Committee would be as follows —

1. Mr J A Dawson, I.C.S., Deputy Commissioner, Sylhet—Chairman and Secretary.
 2. Rai Bahadur Kanak Lal Barua, M.L.C., Retired Director of Agriculture and Industries, and Registrar, Co-operative Societies, Assam—Co-operative Expert.
 3. Babu Nopat Ray Agarwala Merchant, Dibrugarh—Representative of Commerce
 4. Rai Bahadur Ramani Mohan Das
 5. Rai Bahadur Mahendra Chandra De
- } Representatives of other
} interests including agri-
} culture

Owing to the appointment in August 1929 of Rai Bahadur Kanak Lal Barua, M.L.C., as a Minister of the Government of Assam, Mr Upendra Nath Sen, Pleader, Gauhati, was nominated in his place. As the Government of India had laid stress on the fact that the Provincial Committees should consist of persons who had knowledge of local conditions, it might not be out of place to indicate the qualifications of the members of the Assam Committee. The Chairman has spent most of his twenty-five years of service in the plains districts of the Assam Valley and Surma Valley. Rai Bahadur Ramani Mohan Das had served all his time in different districts of the neighbouring province of Bengal, retiring finally as District Magistrate. Since his retirement in 1923, he has actively identified himself with various aspects of the co-operative movement in his native district of Sylhet in Assam, particularly as Chairman of the Sylhet Central

Bank and of the Sylhet Land Mortgage Bank. He is the co-operative expert on the committee. Babu Nopat Ray Agarwala is a partner in an old-established firm of merchants and indigenous bankers in Dibrugarh. He is the representative of Commerce. Rai Bahadur Mahendra Chandra De of Silchar had till his retirement in 1926 served in practically all the districts of the province as Sub Deputy Collector and later as Extra Assistant Commissioner and Subdivisional Officer. Mr Upendra Nath Sen, a leading pleader of Gauhati, has for many years maintained a close interest in the co-operative movement, being Chairman of the Kamrup Land Mortgage Bank and of the Gauhati Town Bank. These last two members are representatives on the committee of miscellaneous interests including agriculture.

4 *Procedure and Itinerary*.—On 30th August 1929, we held a preliminary meeting at Shillong and adopted the standard questionnaire, issued by the Central Committee with a few modifications to suit local needs. We also settled the rough outlines of our cold-weather tour. Subsequently the questionnaire was translated into Bengali and Assamese and widely circulated to officials and non-officials as also to Joint-Stock Companies, Co-operative Banks of all grades and to indigenous bankers and merchants. In all 116 replies were received to the questionnaire and a few selected memoranda have been printed in the volume of evidence. On 15th November 1929, we assembled at Sylhet and toured continuously up to 21st December, visiting Habiganj, Karimganj, Silchar, Dibrugarh, Sibsagar, Jorhat and Golaghat. We assembled again at Nowgong on 8th January 1930 after the Christmas Holidays and after the return of the Chairman from the Conference of Chairmen and Secretaries of all Provincial Committees, which was held in Calcutta in the first week of January. The Government of India had suggested that an intensive survey of economic conditions, existing financial facilities and requirements might be made in a few selected areas, apart from the general survey of the province as a whole. The Government of Assam in letter No. 5748F., dated the 4th July 1929, had suggested that it would be sufficient to make an intensive survey in one district only in Assam and that this district should be in the Assam Valley where conditions were likely to differ more widely from those in Bengal than in the Surma Valley. The district of Nowgong was suggested as suitable for an intensive survey. We accepted the proposal and stayed in Nowgong district till 24th January for this purpose, the members making their headquarters in areas outside the town. After Nowgong, visits were paid to Iezpur, Dhubri, Gauhati and Shillong. We then returned to Gaunati and sat from 28th February to 10th March to review the evidence and to come to our findings. Shortness of time did not permit of a visit to any of the Hill Districts with the exception of Shillong, the headquarters of the province, in the Khasi and Jaintia Hills, nor was it possible to visit all the subdivisions of the plains districts.

5. *Work done*.—One hundred and thirty two witnesses were examined. In a few cases two or more witnesses were examined together and an abstract was taken of their evidence. These groups are treated as individual units. In the case of witnesses who deposed in the vernacular—and in one or two cases of English-knowing witnesses—an abstract only was recorded. It was not found possible to obtain the services of a stenographer capable of recording the evidence of witnesses word for word, but we believe that the evidence as recorded is substantially

correct. For a few witnesses, examined at Gauhati and Shillong, we were able to obtain an expert reporter and their evidence has been recorded more fully. We examined the books of all the 15 Central Banks, except Maulvi Bazar, of 13 Co-operative Town Banks, of 20 Rural Co-operative Societies (several being visited *in situ*), of the Assam Provincial Bank, and of 8 Joint Stock Banks, mainly Loan Companies. Several Bazar's were also visited, and local trade conditions ascertained. In Nowgong, four of us made an economic survey of one village each, including the compilation of a family budget. This work was supplemented by similar surveys conducted by the Assistant Registrar of Co-operative Societies in the Assam Valley, and by the Assistant Secretary who is a lecturer in economics in the Murarichand College, Sylhet. Visits were also paid to the match factory of Dhubri, the Khanapara cattle farm near Gauhati and the Gauhati Weaving School and Emporium.

6 *Difficulties*.—The Government of India have stated that the Central Committee attach the greatest importance to the collection of facts and figures as accurate as possible, though where precise information is not available, there is no objection to information on broad and general lines being furnished. In the questionnaire, information was asked for as to the total amount of capital required for agricultural finance, as to the total existing indebtedness of the agricultural classes and as to the amount of capital invested, volume of business and expenses of indigenous bankers (including money-lenders). We have found it impossible to obtain statistics of any value on these points. As regards the amount required for agricultural finance and the extent of agricultural indebtedness, this information could only be obtained by a thorough prolonged survey by trained hands. The Central Banks and the Inspectors of Co-operative Societies have prepared for us statements of indebtedness in certain villages in all the plains districts except one. These will be summarised in a subsequent chapter. In this province, indigenous bankers are at the same time traders and merchants. The accounts of the two branches of business are inextricably mixed up and it is impossible to separate the figures of one branch from those of the other. We do not think that the indigenous bankers themselves could give us the information even if they were willing to do so. We are informed by the local Income Tax Authorities that no accurate information as to the amount of income-tax levied on the profits of the pure banking business of such firms is available. One difficulty is that the majority of such firms give out advances on condition or in the expectation that produce will be made over to them either in repayment of the advance or to be sold on commission basis. One or two witnesses have given a rough idea of the amount of their capital invested in banking and also in trade, but this is of no value in estimating the volume of banking business for the whole indigenous community. Expenses are not set off against trade and banking business separately. No information is available as to the volume of business done by the ordinary professional money lender who is to be found mostly in the villages though some of them conduct business in the towns. There is no information as to the extent of paddy lending, especially in Sunamganj subdivision in Sylhet. It is true that income-tax is assessed on some of these professional money-lenders but the majority of them are not

assessed to income-tax either because they are not liable or, because they escape the notice of the Income-tax Officer. We think we could have secured fuller information about agricultural indebtedness if certain Central Banks, particularly in the Upper Assam districts, had taken more interest than they did in surveying villages for compiling statements of indebtedness. Again, no figures are available for previous years which would render possible a comparison with present figures (assuming these could be obtained) as to the amount of agricultural finance required, the amount of rural indebtedness or the volume of business of indigenous bankers and money-lenders. As to rural economic conditions generally, much information as to the past and present is available in the various settlement reports of the temporarily-settled areas of the province but little is available for Goalpara district in the Assam Valley and for the greater portion of Sylhet in the Surma Valley both permanently-settled areas—except references in the Gazetteers which are not up to date and sundry allusions in annual land revenue reports.

7 *Cost of Enquiry*—The budget allotment for 1929-30 is Rs 31,500 towards which the Assam Government has contributed Rs 10,000. The allotment for 1930-31 is Rs. 10,000. We are not in a position at present to state whether these allotments will suffice but they will probably not fall very far short of the actuals.

8 *Acknowledgments*—We desire to thank all those who have helped us in our enquiry. From all whom we approached—officials and non-officials—we received ungrudging assistance without which our work would have been of nugatory value. Those who took the trouble to answer our questionnaire—and to master the often bewildering details—and those who gave oral evidence before us deserve our particular thanks. We are specially indebted to those who produced and explained to us the books of various banks and companies. We also acknowledge the public spirit which animated those who showed us the books of certain loan companies in spite of the fact, as they assured us, that the Federation in Calcutta had dissuaded them from doing so. We were glad to note that differences in political views did not prevent several non-officials from answering our questionnaire and from giving oral evidence. We would be guilty of a serious omission if we did not tender our thanks to the two Assistant Registrars, one of whom was always with us in our tour in the two valleys. Their assistance in our enquiries into co-operative matter was invaluable. Finally, we desire to record our appreciation of the manner in which our Assistant Secretary and Stenographer have discharged their duties in work that was often novel to them.

CHAPTER II.

Special features of the Province.

9 In the province of Assam the Brahmaputra Valley (commonly referred to as the Assam Valley), the Surma Valley, and the Hills which surrounded the two Valleys are the three natural divisions. In the census of 1921 the total population of the province was 1,990,246 or nearly a million more than in the 1911 census. In the Assam Valley the plains districts are Lakhimpur, Sibsagar, Nowgong, Darrang, Kamrup and Goalpara. According to the 1921 census the population of these districts was 3,812,542. In the Surma Valley the plains districts are Sylhet and Cachar (excluding the North Cachar Hill.) At last census the population was 3,041,825 of which Sylhet accounted for no less than 2,541,341. The figures of density per square mile are—

Lakhimpur 143, Sibsagar 162, Nowgong 108, Darrang 164, Kamrup 197, Goalpara 193, Sylhet 472 and Cachar 148.

10 In Assam the main industry is tea and the following table gives, for each of the above districts, the number living in tea-gardens at the time of the 1921 census.

	Total population	Population on tea gardens	Percentage to the total population
Lakhimpur ...	588,295	253,171	43
Sibsagar .	823,197	228,570	27.5
Nowgong	397,921	21,919	6
Darrang .	477,935	122,749	25
Kamrup .	762,671	5,209	...
Goalpara ..	762,523	2,218	...
Sylhet ...	2,541,341	168,969	6.5
Cachar (excluding hills portion)	500,484	137,733	27.5

Regular tea garden labour is composed almost entirely of immigrants from provinces outside Assam. The indigenous inhabitant of the Assam and Surma Valleys rarely works in tea-gardens, one reason is that the term tea garden cooly connotes a sense of inferiority, another reason is that the indigenous Assamese does not like to be under the discipline which prevails in tea-gardens. The area outside tea-gardens in Assam has, to a large extent, been colonised by ex-coolies, who have spent some years in tea-gardens and then have left to settle in the villages as ordinary cultivators. The Land Revenue Report of 1928-29 shows 344,980 acres of Government temporarily-settled lands held in the plains districts by ex-tea-garden coolies. In addition to this, time-expired coolies held 31,680 acres as sub-tenants. The Census Commissioner in 1921 estimated that in Assam there were about a million and a third foreigners in the province.

on account of the tea industry, *i.e.*, one-sixth of the total population of Assam. We have reason to believe that the next census will show no substantial difference in the proportion. These ex-coolies frequently settle near tea-gardens and supplement their agricultural earnings by employment on the garden at times when the regular tea-garden labour is insufficient, especially for plucking and hoeing, and when the ex-cooly is in need of ready cash. In the course of our tour we did not make any special enquiry into the economic condition of labourers on tea-estates. This matter was the subject of a thorough enquiry in 1921-22 and a reference is invited to the Assam Enquiry Committee 1921-22 Report. That report was compiled at a time when there was a slump in tea and when there was the disturbing factor of the non-co-operation movement. The economic condition of the tea-garden cooly has improved since then. From the Immigration Report of 1928-29 we find that the average monthly cash earnings calculated on the average daily working strength were —

	Men	Women	Children
	Rs as p	Rs as p	Rs as p
Assam Valley	14 1 5	11 4 2	7 6 1
Surma Valley	10 13 11	8 11 2	5 7 11

In tea-gardens it is not individual earnings that are to be taken into consideration but family earnings. In addition to cash wages, coolies are usually granted concessions of free firewood, grazing grounds, and rice lands for cultivation in the garden grants. When the price of grains in the market is high, the coolies are often supplied by the garden with paddy and rice below the market rate. The immigration report does not show to what extent, if any, there has been an improvement in the standard of living or the amenities of life. We know, at least, that the average garden cooly has adopted a more luxurious style of living—to judge from the consumption of cigarettes and his expenditure on bazar trinkets including torch-lights. Besides the tea industry the only other organised industries in the province are the coal-mines in Lakhimpur and the Naga Hills, the oil-fields in Lakhimpur and in Sylhet and Cachar. The laboring population in these industries is however comparatively small and may be left out of account.

11 Assam is pre-eminently an agricultural province, no less than 89 per cent of the whole population being supported by some form of agricultural or pastoral pursuit, and more than three-fourths were returned at the last census as ordinary cultivators. The report of the 1921 census roughly apportioned the occupations per mile as follows —

Ordinary cultivation	761
Tea	115
Fishing	8
Trade, Industry and Transport	68
Professions and Arts	17
Others	31

In the past twenty years or so a special feature of Assam has been the continuous stream of immigrants—mainly from Mymensingh in Eastern Bengal—who have opened out large tracts of land in the Assam Valley.

We think it safe to surmise that the proportion of ordinary cultivators in Assam is now greater than what it was in 1921. In the same census report it was stated that "nearly 96 per cent. of the ordinary agricultural population cultivate for themselves, either directly under Government, or as tenants under zemindars," and again "the class of landless labourers is small, and the census figures show that there has not been any great tendency of owners or cultivators to lose their land to creditors and become mere labourers. For the increase of 56,000 in the number of farm servants and field labourers is accounted for in great measure by the decrease (due to better classification) of 'labourers unspecified' who were returned in considerable numbers in 1911. Probably a certain number of cultivators, especially in the Surma Valley have lost their holdings owing to bad times. Some who owned their land have lost it and become tenants or mere *adhdars* (*barcadars* or *adhdars* as paying a produce rent, have been classed as ordinary tenant-cultivators). The number of those, however, is small in comparison with the whole agricultural population. And it is scarcely a matter of lamentation that those who live principally on the rent of land have decreased by over 20 per cent. in the decade." Our own conclusion is that the area of land which is passing into the hand of the creditors is inconsiderable. The census table shows 6,083,272 persons in the province as supported by agriculture. The subdivision is—

Income from rent of agriculturists	106,781
Ordinary cultivators	5,826,739
Farm servants and farm labourers	140,793

Apart from this, the population dependent on tea is shown as 944,599. In the Immigration Report for the year ending 30th June 1929, the figure had risen to 1,025,271.

12 At the last census "nearly 29 per cent of landlords, 12.5 per cent of ordinary cultivators and 8 per cent of agricultural labourers return some subsidiary means of subsistence also. The returns show a great variety of entries. Many of them give merely a different form of agriculture as the second occupation, for instance many landlords or rent-receivers are also ordinary cultivators or rent-payers and so are many of the field labourers. Trade and general labour are the commonest form of secondary occupation. As already explained these returns are of little value, the entries receive the minimum of checking and are dependent largely on the whim of the enumerator." The number of cattle and buffalo breeders and herdsmen had decreased since 1911, being about 44,000. The chief graziers are Nepalese and, to a smaller extent, up-country men who have settled down in Assam. There is an increasing tendency for the Nepalese to take to cultivation. We have noticed that this is particularly the case in Darrang district. The census of live-stock for Assam taken in 1920 showed 4,885,000 cattle, 587,000 buffaloes and 817,000 others (chiefly goats). There were only 490 workers and dependents recorded as engaged in the rearing of silk-worms, 483 of these reared the *muga* and *eri* worms and only 7 the *pat*-worm, the latter form being regarded as degrading. The Census Commissioner regarded these figures as obviously low and remarked that in many cases the occupation was subsidiary to one of the textile groups or to cultivation. The weight of the evidence recorded by us is to the effect that silk-worm rearing is on the decline but we are satisfied that many more rear silk-worm, usually as a subsidiary occupation, than the figures of the last census show. In the 1931 census about 60,000 people were shown as

supported by fishing as their chief occupation as against 100,000 ten years before. There was some fall even in the number of those who returned fishing as a secondary occupation. The main reason for the decline in both Valleys in the case of both Hindus and Muhammadans is that fishing tends to be regarded as a degrading occupation. We are fully convinced that this tendency still prevails, and, in many cases, to the financial loss of followers of the craft. Trade in foodstuffs is pursued by two-thirds of the whole trade population, textiles come next. Minor industries are of little importance in Assam. Industry, excluding the tea industry but including mines, at last census, supported only 205,000 persons or about $2\frac{1}{2}$ per cent of the population of Assam. The Census Commissioner remarks "Let this be contrasted with Madras (which the Director of Industries of that Presidency calls industrially backward) with 13 per cent dependent on Industry, and we can see how little Assam has to do as yet with any productive means of subsistence except agriculture and tea."

13. We are interested in our present enquiry with cottage industries. Figures were collected at the 1921 census and the following table summarises the result —

Handlooms	...	...	421,367
(Brahmaputra Valley)	...	...	358,913
(Surma Valley)	.	..	18,944
(Hills including Manipur)	...	...	43,510
Spindles	...	...	2 29,463
(Brahmaputra Valley)	...	...	145,656
(Surma Valley)	..	...	18,546
(Hills including Manipur)	.		65,261
Hand cotton-ginning machines	...	.	95,172
Oil presses	..	...	12,751
Sugarcane mills	.		14,279
Tailoring shops (with two or more workers)	...	.	1,625
Sewing machines (commercial)		...	3,424
Brass workshops		..	729
Bellmetal workshops		...	446
Potters' workshops (with two or more potters)			2,180
Carpenters' shops (with two or more carpenters)			1,778
Blacksmiths' shops (with two or more smiths)			2,550
Dairy Establishments		..	2,179
Cream separating machines	...	..	2,344

No comparison was possible with the previous census as no figures were collected then. The Census Commissioner was of opinion that "on the whole the cottage industries in the province can scarcely be said to be flourishing. The need for guidance in improved methods, for breaking down apathy and conservatism and for extension of co-operative credit is imperative if progress is to be made." In the light of information we have received from witnesses and from other sources, we have no hesitation in coming to the conclusion that cottage industries are stagnant and indeed have probably taken a step backward. We are in agreement with the Census Commissioner as to the remedies proposed. His comments on the enormous proportion of looms in the Assam Valley compared with other divisions "There is here an average of nearly one loom to every two occupied houses. Weaving is an established custom of the housewife, and cloth is nearly always made for home use. Only in the case of cotton cloth made by some of the Bengal immigrants and silk by the Assamese is there any serious sale. The cloth is woven in the spare time of the women and girls and often only enough surplus is made to pay the family's land revenue". It was further noted that Surma Valley weavers were taking to cultivation. This confirms our own observations. The Census Commissioner remarked the profits on cotton cloth were usually low, those on silk were higher though silk-weavers who had no capital were sometimes in the hands of middlemen who made advances in the shape of thread or cash. There was usually a ready market for Assam silk and those who wished to weave for profit and not only for home use had a chance of adding to their income, provided they themselves reared the worms and also spun, or provided they had capital enough to buy their own thread, without having recourse to the middlemen. We are in entire agreement with these conclusions. Cotton growing is confined to the Hill Districts especially to the Garo Hills. Owing to the establishment of oil-mills, primitive oil ghanis are probably becoming fewer, primitive sugarcane mills still continue to flourish. The prospects of indigenous pottery are not bright, the imported article is of a better quality and is preferred. The dairy establishments are mainly in the hands of the Nepalese and up-country graziers. It must not be thought that the cream-separators in all districts are of the modern approved pattern, but this seems to be the case in Lakhimpur district. Considering the tendency for the Nepalese to take to ordinary cultivation we think it probable that dairy business has decreased. Work in basket and mat-making is done in certain localities—especially mat-making in Karimganj subdivision in Sylhet—but we find that the occupation at least, of mat-making is unprofitable, mainly due to the long chain of middlemen. On labour, the Census Commissioner remarks "tea garden coolies form nearly 80 per cent of all those who labour for wages in Assam. As to the supply of all other kinds of labour in the province there is little difficulty, either local people or seasonal immigrants are usually available. The only exception is in the case of those castes which are giving up labour as a hereditary calling, this is likely to cause some local difficulties in future, for instance in getting men to carry loads or to ply boat for hire, but as yet the tendency has not gone far enough to be felt seriously." We are satisfied that particularly in Sylhet district, the difficulty in getting local inhabitants to carry loads or to ply boats is becoming more acute. The idea that such work connotes social degradation is becoming more pronounced. The Census

Commissioner was of opinion that casual and general labourers had suffered less from the rise in prices than other food-buying classes. We think that this observation has still more force to-day.

14 An interesting fact elicited at the last census was that nearly 30 per cent of the whole female population of the province were recorded as working at some occupation other than the usual duties of a house-wife. More than half of these are ordinary cultivators, i.e., generally they help substantially in working the family land, a small number only being returned as farm servants and farm labourers, more than a quarter of the total are engaged in the tea industry, the rest are distributed over handicrafts, trade, professions, pasture, labour and unproductive industries. We have noticed that in the Assam Valley the women of the indigenous Hindu cultivators regularly work in the fields except in the districts of Goalpara and Kamrup. In the Surma Valley, no wife of a respectable cultivator is found in the fields, though this does not apply to certain of the lower castes like Namasudras, Patnis and Mahs though among these too there is a tendency to restrict out-door labour of women nor does it hold good in the case of Manipuris and ex-coolies.

15 As we have already pointed out, a special feature of the Assam Valley in the last twenty years has been the continuous flow of immigrants from Eastern Bengal. In their home districts, the immigrants had found the pressure on the land too severe and were attracted to Assam by reports of wide expanses of Government waste land on a low revenue. The significance of the movement may be judged from the fact that 55.6 per cent of the total increase of 748,650 in the population of the Assam Valley between 1911 and 1921 was due to immigration. While part of this increase must be attributed to the importation of tea-garden labour, it is largely due to the immigration from Eastern Bengal of actual cultivators. Sometime before 1911, the immigrants started coming into Goalpara which adjoins Bengal. In the 1911 census there were 51,000 such immigrants in Goalpara and 3,000 in other districts of the Assam Valley. In the 1921 census there were 258,000 of these immigrants in the Assam Valley. At that time immigrants from Eastern Bengal constituted about 20 per cent of the population of Goalpara and 14 per cent of the people in Nowgong. Since then there has been a great expansion (though figures are not available) especially in Kamrup, Nowgong, Darrang and now they are penetrating into the North Lakhimpur. They are hardworking, make excellent cultivators and have taken largely to the growing of jute. "In industry and skill," to quote a former Deputy Commissioner of Kamrup "they are an object lesson to the local cultivators, they have reclaimed and brought under permanent cultivation thousands of acres which the local cultivators had for generations past merely scratched with haphazard and intermittent crops or recognised as exigent of efforts beyond their inclination." The essentially agricultural nature of the province may be seen from the fact that in the census of 1921 the whole of the population living in towns was only 258,000 which is only 3.2 per cent of the provincial population. "This is less than that in any other province and less than a third of the proportion for all India." There were only 29 towns, 15 of which had a population under 5,000.

16 The Census Commissioner in 1921 came to the conclusion that there was "no doubt that a considerable proportion of the plains people

is living below the comfort line, although the causes may be different—climatic, temperamental or economic—in different parts of the province and sections of the people. Attempts were made at the census to collect information by means of domestic budgets. About 400 such budgets were collected from different classes of workers in all districts, but unfortunately examination of them has shown such great varieties that they are of little use for the formation of any estimate of the extent of poverty and the standard of life. Any attempt at averaging or calculating proportions of income spent on different objects by different classes is out of the question, for such work, much more intensive enquiries over smaller areas would be necessary." We ourselves in the course of our survey in Nowgong compiled budgets among different classes of cultivators, but we do not feel justified in making any use of them for similar reasons. It would be suitable at this stage to summarise the conclusions which we have come to with regard to the economic condition of each of the plains districts. We begin with the Surma Valley —

17. *Sylhet* —In the district there were in 1921 1,433,390 Muhammadans and 1,099,745 Hindus. Except for the Jaintia Parganahs, Patharkandi Gabsil and small blocks of Government land scattered here and there (called "ilam" lands, the district is permanently-settled. There is no record of rights for the permanently-settled area. In 1914-17 an experimental survey in three Parganahs with an area of 89 square miles was made and a record of rights prepared. It was estimated by the Settlement Officer that the total area of the district which would require to be surveyed for the preparation of a record of rights was 4 500 square miles. The cost would be very heavy. One characteristic of the district is that the number of big zemindars is comparatively small. The peculiar feature of the permanent settlement of Sylhet is that Government, towards the end of the eighteenth century, did not, as in most districts in Bengal, enter into engagements with the Chowdhuris or land revenue collectors but made settlement direct with the actual cultivators of the soil. This had the effect of creating an enormous number of separate holdings from each of which a distinct and separate payment of revenue was required. The revenue payable on most of these estates is extremely small—a matter of a few annas in a very large number of cases. A further difficulty is that in most of the estates there are numerous co-sharers but no record is maintained to show who they are. The carving of separate accounts (each with a separate assessment of land revenue) out of parent estates has still further complicated matters. The experimental area surveyed may be taken as fairly typical. The Settlement Officer found that in a population of 50,000, there were not more than twenty landowners with an annual income of over Rs 1,000 from rents. It was ascertained that proprietors hold 51·34 per cent of the total area while the holdings of occupancy rayats covered 34·50 per cent of the total area—or in other words, about 86 per cent was held by peasant proprietors or by their equivalents, occupancy tenants. No information was given, however, as to the average holding of a family. Peasant proprietors are locally known as Mirasdars. It was found that while some of the Mirasdars lived on rent received from tenants, these were the exception, the majority of the Mirasdars were actual cultivators. This would apply generally to other parts of the district. The total area surveyed was about 49,480 acres. This gives a little less than one acre per inhabitant. Assuming that there

are 10,000 families in a population of 50,000, the average holding would be under 5 acres—say 14 bighas. In the census report of 1921 it is stated that the normal cultivated area in Sylhet as estimated by the Director of Land Records is some 2.4 million acres which gives an average of nearly one acre per person. The Jaintia parganahs were resettled in 1914-18. The settlement report shows a settled cropped area of 3,87,549 bighas and the population in 1921 was 1,30,845. This gives a holding of about 15 bighas for a family of five. This however is only a rough estimate. In a note compiled in 1926 by the Director of Land Records for the Government memorandum sent to the Royal Commission on Agriculture, the average area of an estate in Jaintia at the time of the resettlement was 326 acres, made up as follows:—

	Acres.		
Homestead	...		3
Cultivated	2.13
Waste	83

We think, however, that the average family holding in Sylhet district is considerably under 15 bighas. In Sylhet there are five subdivisions—North Sylhet, South Sylhet, Karimganj, Habiganj, Sunamganj. Most of the country is low-lying and single-cropped. We are of opinion that in a normal season the cultivator manages to pay his way. But one feature of the district is its liability to floods. A flood that comes at the proper season when the *aman* or lowland paddy has attained some growth is beneficial, as it enriches the soil with a rich deposit of silt. But untimely floods which come just after the rice crop is sown or when the crop is approaching the ripening stage, play havoc. Such was the case with the disastrous flood of 1929 which caused more damage than the serious floods of 1915-16. On such occasions, the average raiyat, except in the high lands to the south of the district, is hard hit, and has to resort to borrowing. The distress is intensified when cattle are drowned or as more frequently happens perish or become weakened and useless because of insufficient fodder. At such times Government help generously with agricultural loans but the amount which can be given to each individual is limited and the cultivator cannot be restored to the position he held before the flood. Apart from such calamities, there is little culturable waste land available in the permanently-settled areas. There are huge expanses of waste land, it is true, but these are unfit for cultivation. The result is that the pressure on the soil is becoming more intense, with the growth of families. It seems to us that before long the people must seek a remedy in emigration, in growing more varieties of crops, or in more intensive cultivation. The figures given at the beginning of this chapter show how great is the density of the population in Sylhet compared with other districts. In 1921 the Deputy Commissioner of Sylhet wrote to the Census Commissioner that "about 80 per cent of the whole population are in debt and about 90 per cent are badly clothed." It should be noted that this was written when the price of cloth was still very high after the war, it has dropped considerably since then. Between 1911 and 1921 the population increased by 68,000 or 2.7 per cent which was the same percentage of increase as in Bengal. Further, 2.5 per cent of this increase was due to natural

growth. Emigration does take place from Sylhet, *e g*, to Nowgong but not to a large extent. Another remedy is for the cultivator to grow additional crops—there are possibilities in this direction—or to supplement his income by some subsidiary occupation. At the present time a few do work in weaving, mat-making, and other cottage industries, but the total additional income is insignificant. Paddy husking is carried on to some extent, chiefly by widows, but when the floods destroy the crops there is little paddy to husk. As to particular classes, we are of opinion that, among the Hindus, castes like Sahas, Baruis, Pals, and many Mahishyas as also the Naths of Karimganj are well-off. This would also be the case with half the Kayasthas. On the other hand, the Brahmins (except those who lend money), half the Kayasthas, the Naths of North Sylhet, and generally speaking, the lower castes like the Patnis, Malis, and Namasudras, are not well off. Among the Muhammadans, the Mahimals—the leading fisher class—are certainly prosperous. The Mirasdar who owns and cultivates his own land is ordinarily well-off, whereas the Mirasdar who will not cultivate himself but is a rent receiver as also the cultivator of *jote* land can just manage, somehow or other, in normal times. The landless—both Muhammadans and Hindus—live from day to day. The ex tea-garden cooly is fairly comfortable, if things are not going well with him, he will go in search of work in the tea-gardens or on the roads and make a little money whereas this is just what the indigenous Sylheti will not do unless he is absolutely driven to it. The Report of the re-settlement of Jaintia in 1914-1918, states that the “material condition of the people, though not so good as that of the people of Cachar cannot be called bad. Few cases of want or destitution are met with, and on the whole they have enough for their needs which are simple.” Though the Jaintia parganahs are particularly liable to floods, and though it takes the people some time to recover from their effect, there is no doubt that the soil is enriched by the silt brought by the floods and produces excellent crops. The inhabitants of these parganahs are of a very slothful nature. We do not believe that the economic condition of Jaintia is worse than that of the permanently-settled area of Sylhet—and is certainly better than what we find in some parts.

18. *Cachar*—Cachar with its subdivision Hailakandi is in a better economic condition than Sylhet. At times the cultivated area is subject to floods but owing to the slope of the land the flood waters, after leaving a deposit of silt, are able to get away more quickly than is the case with Sylhet. The fact that the staple crop is transplanted rice grown on fairly high land and not broad cast rice, sown on low land, makes it possible for the district to recuperate quickly. Such was the case in the unprecedented floods of June 1929. The loss of crop, cattle and homestead, was at the time tremendous but last cold weather the people harvested a bumper crop. The district is temporarily settled Government land, the last resettlement having been made in 1917-1918. In the re-settlement report it was recorded that “the people must on the whole be put down as fairly prosperous, from the time of the first settlers the Cachar Mirasdar has always been said to insist on his three hot meals a day, and it is only in years of severe scarcity that even the poorer families have to reduce their consumption. All classes share in the general prosperity though it is shown in widely different ways. The general level of prosperity is also indicated by the difficulty in securing menial

labour." At the last re-settlement the average holding worked out at a little over 14 bighas or nearly 5 acres. The opium habit is sporadic. Ex-coolies drink a good deal of country liquor. As regards subsidiary occupations the Manipuri and Cachari women do much weaving but mainly for their own consumption. The Naths who are professional weavers have now taken mostly to agriculture. Considerable areas of sugarcane are grown, especially by ex-coolies who find it profitable. Apart from this, little is done to supplement the income from agriculture. We are of opinion that the Naths, on the whole, are very well off, they are thrifty and laborious. The same might be said of 50 per cent of the Manipuris. On the other hand, the majority of the Namasudias and about half the Patnis cannot be said to be well off. They are commonly found as under-tenants. The Patnis are fishermen primarily, but there is a tendency, to give up this profession and to take to agriculture, but the change is not, on the whole, to their pecuniary advantage. The higher castes are few in number and not very prosperous. An exception is, however, the village money lender who may be either a local man or from outside the district. The economic condition of the indigenous Muhammadans is good. Their lands, as a rule, are not liable to be flooded. The Manipuri Muhammadans, who have been settled for generations, are above want. Of the ex-tea-garden coolies, about 50 per cent have lands of their own, are thrifty and laborious, and may be considered to be well off. The condition of the other half is indifferent. It may be of interest to note that in 1920, an economic survey of 29 villages in Hailakandi subdivision, embracing 2,064 families, was made by a Sub-Deputy Collector. He classified the families as follows:—

In comfort	...	...	26 per cent.
Below comfort			27 " "
Above want			32 " "
In want	...		15 " "

The classification was according to the standard laid down in the late Major Jack's book—"The Economic life of Bengal District"—where 'starvation' was defined as implying a condition in which a family had just sufficient to keep itself alive and no more. 'Comfort' implied a condition in which the material necessities of life were fully satisfied. The interval between the two was covered by the standards 'above starvation' and 'below comfort.' In connection with the Hailakandi survey, it was pointed out that the cadastres were prepared on the basis of the income of the year 1919-20 when there was a partial failure of crops, which resulted in not more than an 8 or 10 annas out turn, otherwise the percentage of families living in comfort would have been greater.

19 We come now to the Assam Valley. One noticeable feature of the three upper districts—Lakhimpur, Sibsagar and Darrang—is the large population in the tea-gardens—being 43, 27, and 25 per cent respectively of the total population of these districts according to the 1921 census. Another feature is the large proportion of Eastern Bengal immigrants, mostly from Mymensingh, in the districts of Goalpara, Kamrup, Nowgong, Darrang, and to a lesser extent in North Lakhimpur subdivision.

Time-expired coolies in the four upper districts also hold a large area under direct settlement with Government as the following table based on the Land Revenue Report for 1928-29 will show —

District	Total full assessed areas for ordinary cultivation on periodic and annual lease—in acres	Settled with time expired coolies—in acres	Percentage to total settled area	Hold as subtenants—in acres
1	2	3	4	5
Lakhimpur	144 189	96,886	22	4,428
Sibsagar ..	707 016	78,039	11	7,018
Dairang	494 759	97,629	20	6,667
Nowgong .	469 863	21,588	4.5	508

Before the immigrants from Eastern Bengal came to the province there were large areas of waste land in all districts. The indigenous Assamese, prior to that time, used to take up much land for cold weather crops, preferably near the banks of the Brahmaputra, on annual lease. These he would cultivate for three years or so and then throw them up, seeking fresh pastures of which there was abundance. After some years would go back to the previous lands, knowing that probably no body would have taken them up, as there was enough spare land for all. This was in addition to his permanent rice land in or near his village. The coming of the Mymensingh people has changed all that. They have occupied most of those waste lands (frequently buying them at an exorbitant price from the Assamese who had them under annual lease) and have brought them under permanent cultivation. Of late years, Government has adopted the policy of controlling the settlement of the immigrants. Certain areas are set apart where they are allowed to settle and areas reserved for expansion of cultivation among the Assamese are barred to them under penalty of ejectment. In the interests of the Assamese we would emphasise the necessity of tightening up this control so that any evasion may be promptly checked. The Assamese have also to reckon with the expansion of cultivation by the ex-garden coolies and by the Nepalese. The indigenous Assamese is by nature lethargic (this may be partly due to the relaxing climate), ease-loving and unambitious. His wants, on the whole, are simple though we noticed a tendency to purchase finer clothes and articles of luxury. Nature has been kind in Assam—perhaps too kind. Floods do occur now and again, but the damage done is not great. There is also occasional failure of crops due to drought. At such times Government come to the rescue with agricultural loans or suspension or remission of land revenue. The struggle for existence is less severe than in the Surma Valley, and though the holdings are probably of less extent than they used to be, because waste land is less available, and because population is increasing, yet the average holding is still ample, we think, for domestic needs and, in many cases, could be worked to greater advantage with the

application of a little more energy. It is characteristic of Upper Assam (Lakhimpur, Sibsagar, Darrang, Nowgong) that the women work in the fields, transplanting, and reaping. We are of opinion that the Assamese will have to work much harder than before, owing to the increasing pressure on the soil, if they are to maintain their present standard of living. Another feature in the Upper Districts is the opium habit. The Excise Report for the year ending the 31st March 1929, gives the following figures for the issue of opium in that year —

					Maunds	Seers	Tolas
1					2	3	4
Lakhimpur	.	..	...	...	192	15	70
Sibsagar	...	...	...	...	170	2	..
Nowgong	...	...	..	...	109	21	32
Darrang	.	...	...	...	61	28	20
Kamrup	..	..	...	...	45	1	60
Goalpara	..	..	.	.	1	18	...

In Sylhet the issues were only 3 maunds, and in Cachar 13 maunds. From 1st April 1928, the policy of Government has been to allow sales only to holders of passes and to reduce the ration of consumers who were below 50 years of age on that date by an average of 10 per cent annually. The result was that in 1928-29 the consumption throughout the province fell from 722 maunds to 626 maunds. The fixed retail price is Re 1-12 a tola and as passes for 3 or 4 tolas are not infrequent, the drain which the opium habit must be on the cultivator's resources is obvious. When the consumer has to purchase smuggled opium or when he is able to supplement his ration by the purchase of illegal surplus which the opium vendor may have acquired by short weightings, he has to pay from Rs 4 to Rs. 5 a tola and sometimes more. In 1928-29 the consumption of *ganja* increased by 4.6 per cent. This drug is largely consumed by immigrants, but there is a danger that owing to the restriction of opium policy, *ganja* may take the place of opium. There is, however, as yet no positive proof of this. In 1928-29 the consumption of country spirit rose 4.8 per cent over the previous year's figure. The chief consumers are tea-garden coolies and time-expired coolies in the villages. Any growth in the population of this class especially if tea gardens are prosperous and if coolies are able to make good earnings must tend to an increase. In addition to this, however, illicit distillation and sale is rife among the cooly population and among the Nepalese. Moreover, the making of rice-beer (called *pachwan* or *laopani*) is very common among the cooly classes and among semi-aboriginal tribes like the Kacharis and Lalungs. All this means a wasteful expenditure either of cash or of rice. We are convinced from the evidence before us that with more temperate habits in drinking and with less consumption of opium

and *ganja*, the economic condition of the Assam Valley would be much improved. It is fortunate that in the Surma Valley, especially in Sylhet, the people are comparatively free from these vices. We will now note on the economic condition of each of the six districts in the Assam Valley

20 *Lakhimpur*—A distinction must be made between the Sadr subdivision and the North Lakhimpur subdivision on the opposite bank of the Brahmaputra. In the former, the tea gardens are numerous and communications are good, there is a ready local market in every direction for the disposal of surplus produce to the tea-garden cooly. The Assamese cultivator in the Sadr has everything in his favour, if it were not for the opium habit. We would describe him as fairly well-off, he is not seriously in debt, and if his economic condition is not better it is due to his own fault—his easy going habits and his fondness for opium. The indigenous Assamese in the other subdivision (and we would include here two mauzas of the Sadr subdivision which are situated in the north bank) is less fortunate. Communications are bad, local markets are fewer largely because there are not many tea gardens, and the soil is inferior. The Assamese in North Lakhimpur are generally of the lower castes. The opium habit is equally prevalent as in the Sadr. To make matters worse, the North Lakhimpur cultivator is frequently in the hands of the petty village Marwar or the Suakuchi trader from whom he has taken an advance on promise of repayment by crop—and it is this that distinguishes him from his fellow kinsman in the Sadr subdivision. On the whole we think that the ex-tea-garden cooly in both subdivisions, though not infrequently in debt, is better off (though outwardly he may not seem so) largely because he is not usually an opium eater and because he is laborious and not ashamed to work.

The last re-settlement of the district was in 1908-12. New re-settlement operations have started this year. According to the Land Revenue Report for 1928-29 the area settled for ordinary cultivation in the district was 4,44,189 acres. The population in 1921 (excluding tea-gardens) was 3,35,124. This works out roughly at about 6½ acres or about 19½ bighas for a family of five but the correct figure would be less as population will have increased.

21 *Sibsagan*—This district which comprises three subdivisions—Sibsagar, Jorhat and Golaghat—was re-settled during the years 1923 to 1929 and we consider ourselves fortunate in having at our disposal the recently issued Settlement Report. The Settlement Officer, Mr Rhodes, made a particularly painstaking enquiry into the economic condition of the people. One of us has the advantage of studying the group reports and the detailed papers of the economic survey. We have no hesitation in expressing our agreement with the findings of the Settlement Officer, and we further believe that much that he has said would be applicable to Lakhimpur, Nowgong and Darrang. It will be best to quote from the report —

“It is difficult to generalise regarding the economic condition of a district population numbering nearly a million souls and composed of widely differing races, or to speak dogmatically regarding changes discernible in the comparatively short period of 20 years. People are not wanting who say that the position of the raiyat is now worse than it was 20 years ago. With such I join issue, for reasons, which set out in detail below, amount in substance to the statement that while the average raiyat is now no better

off as regards actual cash in hand, he is now living on a definitely higher level of comfort and, thanks to the greatly increased prices obtainable for surplus produce, is able to enjoy regularly things which 20 years ago were regarded as sheer luxuries. My experience of the district extends over the last 14 years only, but even in that time visible signs are not wanting to bear out this contention. The average villager is now better clothed, he wears a shirt and coat he carries an umbrella, he smokes cigarettes, he drinks tea, he often has a tin-roofed house, he travels frequently in trains and motor omnibuses and in general enjoys a higher standard of living than of yore. His children too are better educated, if the new generation can overcome the hereditary apathy and tendency to opium which has been the curse of so many peasant homes, a goodly heritage awaits them."

"The economic state of the people varies directly with the nature of their caste and the habits of life inseparable therefrom."

The Settlement Officer points out that the Ahoms, the most numerous caste, in the higher ranks are temperate, industrious and prosperous. The lower castes of the Ahoms are less so. Kalitas, Kochs, and Keots, who form the intermediate Hindu castes are usually of temperate habits.

Miris and Kacharis, on the other hand, are too fond of rice beer and have a low standard of living. The Muhammadans who form a comparatively small proportion of the district are more prosperous than the average Hindu, mainly because they engage in trade or shop keeping. The ex-tea-garden coolies are not usually the best cultivators, are addicted to rice beer and country liquor and live in poor houses, but in spite of that they are in general quite well-off as they are of industrious habits and supplement their income from agriculture by working in tea gardens when they need money. And, of course, some localities are more prosperous than others as much depends on the caste of the residents, the fertility of the soil, freedom from floods, and proximity to markets of tea gardens where surplus produce can readily be disposed of.

In 1924, economic cadastres were prepared for four typical villages in the Jorhat and Golaghat subdivisions. The Settlement Officer drew the following deductions from the figures of the cadastres —

(a) "Since the Assamese raiyat to a large extent feeds and supplies himself, his actual cash income and expenditure is comparatively small."

(b) In the villages there are few very rich or very poor. The majority are of medium condition, and the difference between the two extremes is not wide.

(c) The man with a subsidiary industry or profession is invariably better off than the cultivator, plain and simple.

(d) The nature conditions are favourable. Given self-control as regards drink and drugs and a reasonable amount of work, a good livelihood and a fair measure of comfort can be secured without difficulty. The trouble is that not a few are either lazy or self-indulgent or both.

(e) Almost every family grows enough paddy for its own consumption and generally has a surplus to sell."

Then follows an observation which we believe to be true of the indigenous Assamese throughout the Assam Valley—"The Sibragai villager is neither rich nor thrifty, he is content to live humbly on a comparatively

small amount of toil, and hitherto has had few ambitions towards wth or self-improvement”

Interesting also are the remarks as to the size of an average holding —

“Allowing for a normal increase since the census of 1901 was taken, the village population at the time of the last re-settlement was 4,45,000, and the area under ordinary cultivation 14,88,399 bighas which gives a holding of 16.7 bighas for every family of 5 persons. The corresponding figures for the present day are an estimated village population of 5,94,790, a cultivated area of 20,19,207 bighas and an average family holding of 16.9 bighas.

It is true, however, that land within the district is being rapidly taken up. All the land has already been almost exhausted and the land fit for ordinary cultivation will probably be fully occupied before another generation has passed. In consequence, pressure on the soil is bound to grow though at present it is light, compared for instance with that of the Surma Valley.”

Elsewhere, in connection with the fragmentation of holdings it is stated that “in the oldest and most densely populated villages, for instance the Muhammadan villages of central Golaghat, the resulting situation is seen at its worst since holdings have become so small as to be below the economic level.”

As regards subsidiary industries, the commonest is the rearing of *muga* silk-worms

“It is reckoned that an average household produces in a year about half a seer of silk, the value of which is some 12 or 15 rupees. The thread is either woven into garments for home use by the women of the house, or sold to the local Marwaris who readily purchase it for export to Calcutta or Sylhet.” Other industries are the making of earthen pots, brass and bell-metal articles and also hats of wicker-work; there is also goldsmithy. The Settlement Officer remarks “unfortunately, however, these specialised village industries are undoubtedly declining, because a desire for higher social status leads to their gradual abandonment, since the castes of workers mostly rank low in the social scale.” And, as elsewhere in the province, the Assamese is averse to manual labour on roads, gardens or elsewhere.

22 *Nowgong*.—This district is at present under re-settlement, but the final report will not appear for a year or two. We have had the advantage of perusing four group reports, which deal mainly with the Assamese villages. Generally speaking, the economic condition of the Assamese has improved in the last twenty years. Land has greatly increased in value and the price of paddy, the staple crop, has about doubled.

In the Central group, comprising villages within a radius of 10 miles from the town, the people are well-off. There is a considerable sale of garden produce, bamboos especially have greatly risen in price owing to the demand of the Mymensingh settlers. A good many villagers take advances but few are oppressed by debts which they cannot repay. The commonest method of repaying the advance is by giving the crop to the Mahajan in repayment of principal and interest, the interest in this shape is heavy, sometimes 100 per cent but repayment by crops saves the cultivator, from his point of view, from necessity of parting with ready cash. Expenses have risen with an improved standard of living.

In the South West group conditions are rather different. There is more waste land and so more fluctuating cultivation. In this group there are many Lalungs. They are addicted to opium and rice beer, are thriftless and ambition is lacking. As bad seasons are rare, they ought to be much more prosperous than they are but for their improvident habits. In this group indebtedness is greatest in the villages where there are regular bazars with Marwarī shop-keepers. "It is temptation rather than actual need that leads the people into debt." There are few subsidiary industries—poultry keeping and a little pottery. Few of the people are heavily in debt and advances are repaid generally from the proceeds of the mustard crop. In this group though there is no distress, there is little wealth. The people are fairly well-off not because they have large surpluses but because their wants are small.

In the South East group one feature is the number of ex-coolies and immigrants from Sylhet and Cachar on the Jamunamukh side. Among the Assamese there are more petty traders than in other groups and this contributes largely to the prosperity of the group. There is more surplus rice for export here. Many of the ex-coolies are in the hands of the Mahajans. This is the case also with the immigrants from the Surma Valley but if they obtain good crops they can generally clear off their advances. The general standard of living is higher than in the South West group. In the lower castes among the Assamese there is a desire to rise in the social scale and this often is synonymous with an improvement in economic condition.

In the North East group, the indigenous Assamese predominate. The better class Assamese are fairly prosperous, rarely in serious debt and can maintain a reasonable standard of living. They are the most advanced next to the central group. There are 15 rural societies in the group and the people take considerable advantage of them. There are few who are very poor. The standard of life is rising and there seems to be little difficulty in maintaining it. The Lalungs, Mikirs and Cacharis are rarely prosperous, they utilise much of their rice in making rice beer. But the average debt among them is not heavy, their credit is poor, and when they want spare cash, they work on roads or in gardens. The ex-coolies are fairly poor. They are often in debt and as a class they are more in the hands of the Mahajans than any others in the group except the Eastern Bengal immigrants of which there are some villages. Generally speaking, expenditure in luxuries has much increased and the economic condition of the group has much improved in the last twenty years.

The special feature of the district in the last twenty years is the opening up of the north of the district by immigrants from Eastern Bengal—mainly Muhammadans, and to a less extent Hindus—from Mymensingh. They have been able to bring large tracts under permanent cultivation, especially with jute. Those who were the first settlers are the most prosperous as abundant Government waste land was then available. Many of them now lend to those who came after them. The immigrants annually take advances mainly from the Marwaris which they repay from the proceeds of the jute crop. They have the reputation of clearing off with fair punctuality the advances when they have a good crop with a reasonable market price. When they have a surplus, however, they

spend it extravagantly and have no idea of saving. The result is that they have to take advances later in the year for the next jute season, and they seem to be always in the hands of the Mahajans. They are also litigious. Their standard of living is higher than that of the Assamese. The Settlement Officer, Mr Gimson, to whom we are indebted for much of the information recorded above, notes that on the whole the price of land has more than doubled in the last twenty years and that relinquishment of lands held on annual lease which used to be common is now comparatively rare. As in the other districts of the Upper Assam Valley, far too much is spent in opium and, in the case of ex-coolies, in country liquor.

The size of an average holding is about 5.6 bighas per head in the South West group and 4 bighas in the South East group. No information is available to show the average size of a holding among the Mymensingh immigrants.

We have dealt at some length with the general economic condition of Nowgong because this was the area selected for our intensive survey. Further information will be found in Chapter IV.

23. *Darrang* — This district—both Sadar and Mangaldai subdivisions—is at present undergoing re-settlement. We were unable to gather any information from the settlement papers except from one group report. The last settlement was effected during the years 1905 to 1909. The people were found then to be fairly well-off. An exception was the case of Kacharis who live in the north of the district, particularly in Mangaldai subdivision. This race consumes large quantities of rice beer which uses up much of the rice crop, there is no surplus left to sell, and the Kacharis have often to work as labourers to make ends meet. This is equally true to-day. About the Assamese generally we do not think that their condition is essentially different from their fellow castemen in Sibsagar. The Settlement Officer of Darrang wrote in 1910:—

"Sufficient unto the day is the evil thereof is the guiding motto of their lives, the rain is certain, the crops are good, their wants are few, and there is no worry, there is no great prosperity, nor is there any poverty or want." Except weaving for domestic needs, we have found little in the way of subsidiary industries. We are inclined to think that the ex-tea garden coolies are not so prosperous as they are in some other districts, at least this seems to be the case on the Bishnath side where they are largely in the hands of the village Marwaris who have got possession of much of their land. A new feature of the district since the last re-settlement is the large area in both subdivisions now cultivated by immigrants from Eastern Bengal. Their economic condition may be taken to be similar to that of their fellow-countrymen in Nowgong. Their numbers, however, are much fewer. The Land Revenue Report of 1928-29 shows the area assessed for ordinary cultivation in the district as 494,759 acres. In 1921, the village population outside the gardens was 355,286. This gives 20 or 21 bighas as the average size of a holding for a family of five, but the population has grown greatly, and the average size would be probably less, but perhaps larger than in Sibsagar. There is still a good deal of waste land, especially in Central and North Mangaldai but it is gradually being opened out.

24. *Kamrup* — Before our report was complete we were able to obtain a proof copy of the final settlement Report by Mr Desai for which we are indebted as giving the most up-to-date account of the economic condition of the people. The Brahmaputra traverses the district, only a small portion, however, lying on the south bank. On both banks we have three natural divisions—low land near the river, liable to flood (called the Chaporis), a higher belt inland where transplanted paddy is grown (on the north bank this is known as the Rupit mahal) and the submontane tract near the hills. Up to about twenty years ago, the Assamese practised fluctuating cultivation on the Chaporis mainly in growing cold weather crops but very large areas have now been brought under permanent cultivation by the Eastern Bengal immigrants. The Chaporis of Barpeta subdivision show an increase of about 700 per cent in the settled area in the last 20 years. The Rupit Mahal is densely populated and is mainly inhabited by Assamese cultivators. South of Nalbari the density of the population exceeds 800 per square mile. The submontane tract is less favourably situated in respect to cultivation as also disposal of produce. The inhabitants belong mainly to the backward tribes. This part of the district is also not particularly healthy. "In the Rupit Mahal the advantages of agriculture are enhanced by those for the disposal of produce and are supplemented by subsidiary occupations in which the population which is relatively advanced engages itself. Some persons add to their income by carting or *parkari* work, other go out as far as Darrang for harvesting others again render menial or clerical service in railways, Government offices, private shops or houses. Some of the Brahmins go out to the northern districts of Bengal and return with money won by priestcraft and not a few Muhammadans deal in fowls and cattle. The result is a standard of living which is higher than the standard prevailing in either the Chaporis or the submontane areas. Conditions in the Chaporis are far less favourable, paddy cultivation is more uncertain, communications are less easy and the opportunities for subsidiary occupations more limited than in the Rupit Mahal. Such of the Assamese as are not engaged in trade or do not pursue a subsidiary occupation or have not made money by selling waste lands to the immigrants live rather poorly. One of the principal subsidiary occupations practised in these parts is keeping buffaloes in the professional graziers' reserves and dealing in dairy produce. The immigrants are industrious cultivators and such of them as are neither improvident nor litigious improve their condition fairly early. The submontane area again is not so well placed as the Rupit Mahal in respect of cultivation (except in irrigated areas) as well as disposal of produce. In addition, the inhabitants are mostly members of backward tribes, simple, illiterate, peaceable, fond of opium and home-brewed rice beer and eating pigs whenever they can afford it. When they become Saranias, on the way to Hinduism, the abstention from beer leaves them a larger proportion of their rice for sale and probably induces more industrious habits. Simultaneously the ban against pigs gives a chance to the homestead cultivation to develop. The chief subsidiary sources of income among these inhabitants are the manufacture and sale of *endi* cloth by their women-folk and labour on tea gardens or other capitalistic concerns by the men folk. The general standard of life prevailing in this area is lower than in the Rupit Mahal."

Mr Desai notes that whereas formerly the ideal of the villager was one of self-sufficiency, the introduction of the railway and the subsequent economic development altered the ideal of self-sufficiency. "Local produce is fetching better prices and owing to the resulting cash in hand there is a greater readiness to purchase things made elsewhere—whether necessary or unnecessary." There is no doubt that variety is being introduced into the life of the villager and that the level of comfort is gradually rising. "Nor is the surplus income entirely devoted to administering to the physical wants. Villagers have a keener perception of the importance of communications as well as education and instances of village paths constructed and schools started by villages are by no means infrequent." The Settlement Officer further notes that "With the increase in prices of agricultural produce and signs of betterment of the condition of cultivators, there has been a tendency on the part of landlords to put up their rents. Cash rents are sought to be substituted, wherever possible, by grain rents and where there is demand for the land under those terms the original tenant has got to agree or clear out. There is no tenancy law in Kamrup and the tenants have no statutory rights." He goes on to say "Though there are signs of improvement in the condition of the cultivator he has little surplus and when called upon all of a sudden to undergo substantial expenditure his only recourse is to the money-lender. The usual occasions which lead a man into heavy debt are the purchase of plough cattle and marriages of boys in the family. The backward tribes have the custom of paying the bride's price—about 80 or 100 rupees in amount—and even the poorest Hindu or Muhammadan will spend about Rs. 150 on a boy's marriage. The marriages of girls are much less costly. Cultivators of the poorer class meet such expenses by taking advances and working off the sums by keeping members of their families as *bandhhas*. Those who are relatively better off borrow money on their personal security or on that of their property. The prevailing rate of interest in the Assamese area is 25 per cent per annum. In the case of immigrants of Bengal however, the money-lenders—whether Assamese or non-Assamese—charge interest at rates which are higher. The rate is about 6 pies per rupee per month, i.e., 37½ per cent per annum, the Assamese money-lender lends out at an anna per rupee per month while the Bengal Saha goes up to two annas per rupee per month in doubtful or risky cases. One hardly hears of co-operative credit societies in the mofussil."

The Director of Land Records in his memorandum to the Royal Commission on Agriculture, in estimating the size of an average holding in Kamrup, utilised one of the settlement group reports for which the figures were complete. In this group the average size of a periodically-settled estate was 2.69 acres. Holders of a periodic *patta* had usually some fluctuating area in addition, the average area being 1.27 acres. Hence the size of an average holding was estimated to be 3.9 acres, or about 12 bighas. From table III in the final settlement report the total area in the district settled for ordinary cultivation on all kinds of tenures is given as 26,91,309 bighas. The population of the district at the 1921 census was 7,62,671. According to this, each person would hold about 3½ bighas. If we take 5 persons to a family, the average holding would be about 17½ bighas. As a matter of fact, it would be considerably less as the population has greatly increased owing to the numbers of immigrants.

25 *Goalpara*.—This district comprises Dhubri and Goalpara subdivisions. Like Sylhet in the Surma Valley it adjoins Bengal and is for the most part permanently settled with the difference that the land owners are big zemindars whereas these are the exception in Sylhet. In the Gazetteer of Goalpara the total area of the district is given as 3,594 square miles. The area under permanent settlement is shown as 2,384 square miles or 1,518,982 acres, contained in 19 permanently-settled estates, distributed among six families of landlords. In the Land Revenue Report for 1928-29 the temporarily-settled area is 175,277 acres. Even before 1911, there were 57,000 immigrants in this district from Eastern Bengal. In the 1921 census it was calculated that nearly 20 per cent of the population was composed of these settlers, or roughly 150,000. Since then immigration has extended especially on the low lands adjoining the Brahmaputra. There has also been expansion by Santals and others in the submontane tracts in the north of the district. The immigrants from Eastern Bengal are to be found mainly in the permanently-settled lands. As in Sylhet, there is no record of rights for the district, though the big zemindars have their own papers. We are unable to state the approximate size of an average holding. The land revenue assessment on the zemindars was very light and we understand that the rent paid by the tenants is on the whole moderate. Our general impression is that the Rajbangshis and Mechs who are the main indigenous classes are fairly comfortably off. In Goalpara subdivision the tenants of the Bijni Raj are on the whole well-off. Many of the Mymensingh settlers are more prosperous than in other districts higher up the Valley as they have been settled here for a longer time. Communications in the district, especially in the rains are not good and the people in some places find difficulty in securing a market for their local produce. The result is that the middleman or trader takes away a good deal of the cultivator's profit. Subsidiary occupations include the rearing of the *eri* silk work, the manufacture of earthenware and metal vessels, the weaving of cotton cloth, and the manufacture of wickerworks, mats and baskets. Though weaving of cotton cloth for home use is carried on in most households, the silk industry is not nearly so important as in other districts of the Assam Valley. Generally speaking, the other industries mentioned above are of small importance.

26. *System of land tenure*.—In the permanently-settled areas of Sylhet and Goalpara, the mirasdars and zemindars hold their land directly under Government at rates of revenue which have remained unaltered since the permanent settlement was made in the time of Lord Cornwallis in the last decade of the eighteenth century. The owner has a permanent, heritable, transferable right—absolutely unqualified—and the land can only be sold by the Government in case of failure to pay the land revenue. In Sylhet the land revenue payable is exceedingly light about $2\frac{1}{2}$ annas per acre as against an average of Re 1-7-0 per acre for temporarily-settled land in Sylhet. In addition to this local rates have to be paid at 2 annas per acre. Under the land-owners in Sylhet there are frequently *jotedars* who pay a fixed rent to the former. By section 6 of Act VII of 1869, such *jotes* or as they may be called *ranyats* holdings have occupancy rights, but the *jotedar* has no power to transfer his *jote* without the consent of the landlord. There is no legal impediment to the mortgage of *jote* lands but the landlord is not bound to recognise a mortgage or sale.

The Government Pleader of Sylhet has stated in his memorandum "when there is a mere mortgage and the tenancy subsists, the landlord cannot sue for ejectment, as on abandonment, and the same result follows when only a part of the holding is sold, as the tenancy of the old tenant still subsists and the landlord cannot interfere in such cases in the same way as in the complete transfer of an entire holding which can be treated as an abandonment. Still there is considerable risk of mortgage and part sale as the landlord has the right to eject for non-payment of rent, and ejectment will follow on failure to pay the last year's rent within 15 days of the decree. Mortgage and part sale of *raiya* holdings, even without the consent of the landlord, is very common and they often lose the right by ejectment" In the permanently-settled area of Goalpara, the *jotedars* frequently hold large areas of land on which they settle *raiya*s. By the new Goalpara Tenancy Act of 1929, occupancy rights have been conferred on the *jotedars* and also on the *raiya*s subject to their fulfilling the conditions of holding land in the village for twelve years continuously. In addition to this, both have the right of mortgaging such an occupancy holding subject to the condition that an occupancy tenant is not entitled to enter into any form of usufructuary mortgage in respect of his holding or portion thereof, except a complete usufructuary mortgage which may be made for any period which does not and cannot, in any possible event, by any agreement express or implied, exceed nine years, such mortgages must be registered and can be redeemed at any time before the expiry of the period. Occupancy rights are transferable like other immovable property, subject to the payment of a transfer fee to the landlord.

In the rest of the province, including parts of Sylhet and Goalpara, Government is the landlord. Outside town lands, leases are mainly of two kinds—periodic and annual. A periodic lease confers a permanent, heritable and transferable right on the lease holder, it can be sold by Government only for arrears of revenue. Annual leases are usually issued for land which is newly opened out or for land where the cultivation is fluctuating. The land continues to belong to Government but the lease holder has a right of enjoyment for the year of the lease. In practice the lease is continued year after year subject to the payment of land revenue. The holder of the annual lease has no right to sell the land but as a matter of fact such land is very frequently sold and Government does not interfere. On giving notice before the date of expiry of the lease, the holder has a right to resign the lease provided the land revenue for the year is paid up. On giving similar notice Government has a right to resume the land from the following year if it is required for a public purpose, e.g., the constitution of a grazing or a forest reserve. Normally however, these leases are, after a few years converted into periodic leases if the land has been put under permanent cultivation of staple crops. In the Assam Valley in the case of periodic leases issued after September 1919, an additional clause was inserted that the lease could not be transferred to a non-agriculturist without the consent of the Deputy Commissioner. The intention was to check the passing of the land into the hands of Marwaris and traders. In the new re-settlements that are taking place this clause is retained but is only to be enforced in the case of lease holders of the less provident sections of the community.

Sometimes, the periodic lease holder has tenants under him. These have no rights whatsoever, however long they may have been on the land. At various times, Government have considered the question of conferring occupancy rights on such tenants, both in Cachar and in the Assam Valley, but the question was dropped because the number of such tenants was held to be comparatively small and because (except in some measure in the case of Cachar) relations between landlords and tenants were on the whole, free from friction

In the Assam Valley, there are also lands held revenue-free (*Lakhi-rāj*) or paying half revenue rates (*nisfkhirāj*) Such lands are usually associated with concessions that were granted in the old times to priests and others connected with service in the Hindu temples The question is of most importance in Kamrup district and is exceedingly complicated especially as to the precise rights of *lakhi-rāj* and *nisfkhirāj* and tenants under them The matter has been repeatedly under the consideration of Government. We do not feel ourselves to be in a position to express any opinion.

27. *Value of land.*—We have next to consider the factors which effect the value of land and to distinguish between (a) value of land in Government auction for non-payment of revenue, (b) value of land in the event of sale by Civil Court decree and (c) value of land in purchase by private negotiation The Director of Land Records in his memorandum states that in 1928 an enquiry was made into the average price of agricultural land "In each registration office, a volume of Book I of 1925 or 1926 was taken at random and all sale deeds were tabulated by area and value The documents relating to town lands were excluded. The results gave the following average values per acre in different districts —

Cachar	. 192	Darrang	... 63
Sylhet	... 174	Nowgong	252
Goalpara	45	Sibsagar	78
Kamrup	105	Lakhimpur	150

Except for Nowgong and Sibsaagar, I think the above figures very fairly represent average values The figures for Nowgong appears to be too high and that for Sibsaagar too low The figures are not inconsistent with the value reported by the Settlement Officers except that the Sibsaagar figure is too low The Settlement Officer, Sibsaagar, reported the value of *rupit* land (i.e., transplanted paddy) during the last resettlement to be from Rs 75 to Rs. 300 an acre except in outlying areas." These figures refer to the sale of land by private negotiation.

The factors which influence the price of lands are many Much depends on the pressure on the soil which means an increased demand and higher prices The fertility of the soil, its suitability for a particular crop, its freedom from floods or of spells of drought and its proximity to markets are also important factors The weight to be attached to each factor will vary. There may be better land, from the point of view of productivity which would fetch a less price than inferior land 10 miles away where the pressure on the soil is greater Much also depends on whether the land is *jote* land with occupancy rights or *khama* land in possession of the landlord. The latter would fetch a much higher price

In Sylhet when *raiya* holdings are sold, the prices vary much, the chief factor being the amount that has to be paid to the landlord as *mazar* (premium). It is difficult to lay down any principles as to how far the suitability of the land for particular crops affects the price. We have been told that sometimes jute growing land is of lower value than good paddy lands. Jute is an expensive crop to cultivate and the price is uncertain. There is also evidence that land on which two crops can be grown in a year, *e.g.*, paddy and a cold weather crop, is of less value than land which gives a good single paddy crop. The argument is that a single crop requires less labour and gives a better yield. On the whole, we think that double cropped land fetches a better price.

In the Settlement Report for Sibsagar it is pointed out that in the last 20 years there has been a very marked rise in the value of land in that district. Generally speaking, it has increased at least three or four times. This is due partly to the increase in population and partly to the fact that the price of agriculture produce like paddy and mustard has doubled in the same period. In that district *rupit* land of average quality which was worth Rs. 50 a *pura* ($1\frac{1}{2}$ acres) 20 years ago is now worth Rs. 150 or Rs. 200. The settlement operations in Nowgong which are at present in progress have disclosed similar increases. In the only group report for Darrang (also under settlement) which was available the price of land had doubled in the area east of Tezpur, containing a typical Assamese population. In the four upper districts in the Assam Valley it was not realised twenty years ago that agricultural lands had much tangible selling value as there were so much waste land available. The people now are wide awake to the fact that land has a very substantial money value and is a first class security for obtaining credit. In the case of Kamrup, we would err on the safe side if we took the price of land as double what it was twenty years ago. There is one kind of private sale which is not uncommon in Assam. Frequently a Marwari or other Mahajan who has given advances to a cultivator—and he is often an ex-coolie—is unable to realise the principal and interest and compounds with his debtor by getting the debtor's land transferred to him by private negotiation. In such cases the land does not always fetch its proper value. There is also another reason why the value of land, measured in rupees, has increased. It is because the rupee has a much smaller purchasing value than it had 20 years ago.

28. In the Assam Valley and in the temporarily settled portions of the Surma Valley, not much land is sold for arrears of land revenue. Estates often fall into arrears, but the first step taken is to attach and sell the moveable property of the defaulter. Even this is not often carried into effect as the defaulter manages to pay up somehow or other before attachment is made. Large zemindaris such as are found in Sylhet and particularly in Goalpara are practically never put up for sale, but where they are, the price realised is probably not unreasonably low. Those who would bid for such lands have a fair knowledge of the nature of the zemindari. As the value of a large zemindari would be high, only rich bidders could buy and the price realised would depend largely on the number of bidders and on the finances at their command. Every year, however, in Sylhet small permanently-settled estates are brought to auction, though the number, even in years where the floods have played havoc, is surprisingly

small When such sales do take place, few of the bidders who are often pleaders' clerks, know anything about the estate. Though on the Collector's register the estate does bear a certain amount as land, revenue, and local rate, there is no guarantee on the part of Government that such an estate really exists. It is a case of "caveat emptor." Instances have occurred where the bidder after purchase could not find the estate he had bought. Probably it was the residue of the parent estate out of which separate accounts or estates had from time to time been formed often fraudulently—leaving no land for the parent estate, though in the books of the Collector it was shown as still existing. In cases where there is actually land in estate sold, the bidders are often ignorant as to its whereabouts and know that the sale may be set aside on some technical ground, *e.g.*, failure to publish the sale notices properly. The result is that the estate does not fetch anything like its full value. If there existed a record of rights for the permanently-settled area of Assam, which was properly kept up to date, better prices would be realised. In Sylhet in many estates there is a multiplicity of shareholders and the usual custom is that they arrange among themselves how the revenue is to be paid. Sometimes, however, a co-sharer who has got his eye on the land, fails deliberately to pay his share, the estate falls into arrears and he often manages to secure it for himself at auction. In such cases owing to his determination to secure the lands he may force up the price if there are several bidders, and the price at which it is knocked down may approach more nearly the real value. Generally speaking, where land is sold for arrears of Government revenue, we are of opinion that the price is much less than in the case of a sale by private negotiation, or even than a sale by order of the Civil Court.

24. Execution sales are largely a game of chance. Sale notices are frequently suppressed with the result that people in the neighbourhood of the land who might be expected to bid know nothing about it. The decree holder is frequently the purchaser and he will give as little as possible for it, especially if there is no competition. But there are other reasons why the price in execution sales is low. The land is not sold free of encumbrances as in the case of a sale for arrears of Government revenue. There may be claim petitions which means expensive litigation. It may take the purchaser several years to get possession of the land. For these reasons the price realised in an execution sale is no indication of the real value of the land.

30. *Value of crops*—The main crops in Assam are paddy, jute and cold weather crops like mustard, various forms of pulses, potatoes and other minor crops. There are many varieties of paddy, suitable for different localities and for different soils. *Sail* or transplanted paddy which is the staple winter rice crop in the Assam Valley and in Cachar has a somewhat greater yield than *amon*, usually sown broadcast, in Sylhet. *Ahu* which is a variety of autumn rice grown in high lands mainly in the Assam Valley has a less yield than *sail* whereas *buio*, a kind of transplanted paddy grown in a considerable portion of Sylhet, gives normally a larger yield than any other varieties named.

The following table from the tables of Agricultural Statistics of Assam for 1928-29 gives the normal rate of yield per *acre* of different crops in the plains districts —

Autumn rice .	..	...	5.6	maunds of clean grain
Winter rice (broadcast and transplanted)	11		ditto	ditto.
Spring rice (<i>boro</i> in Sylhet)		12	ditto	ditto
<i>Matikalar</i>	...	.	4 8	ditto ditto.
Rape and mustard		...	6	ditto ditto.
Linseed ...	.	...	4	ditto ditto.
Sugarcane	.	.	31	ditto of <i>gur</i> .
Cotton	..	.	*35	bales of 400 lbs.
Jute ...		...	3 5	ditto ditto

The following table gives the normal harvest price of rice, mustard and raw sugar (*gur*) in the four wholesale markets of Assam per maund of 40 seers —

	Balaganj (in Sylhet)	Goalpara	Gauhati	Dibrugarh
1	2	3	4	5
	Rs a p	Rs a p	Rs a p	Rs a p
Winter rice (unhusked) .	3 3 0	3 4 0	3 10 0	3 10 0
Ditto (husked)	5 11 0	5 4 0	5 10 0	6 12 0
Autumn rice (unhusked) .	3 2 0	3 2 0	3 11 0	3 11 0
Ditto (husked)	5 12 0	5 6 0	6 0 0	6 13 0
Mustard seed .	7 11 0	6 15 0	7 9 0	7 5 0
<i>Gur</i> ..	8 1 0	9 1 0	8 7 0	10 11 0

The high price of rice in Dibrugarh is largely due to the fact that large quantities of rice have to be imported from outside the district for the large tea-garden population. The Dibrugarh prices for *gur* and mustard are higher than we would have expected to find. The following statement

gives the out-turn per acre and the total produce of crops as compared with the normal for 1928 29 —

Rice						Spring		
Autumn			Winter					
Percentage on normal out turn per acre	Out turn in tons	Percentage on normal of total out turn	Percentage on normal out turn per acre.	Out turn in tons.	Percentage on normal of total out turn	Percentage on normal out-turn per acre	Out turn in tons	Percentage on normal of total out turn
1	2	3	4	5	6	7	8	9
92	250,200	96	90	1,319,400	91	90	77,550	86
Rape and mustard			Sugarcane			Jute		
Percentage on normal out turn per acre	Out turn in tons	Percentage on normal of total out turn	Percentage on normal out turn per acre	Out turn in tons	Percentage on normal of total out turn	Percentage on normal out turn per acre	Out turn in bales of 400 lbs	Percentage on normal of total out turn
10	11	12	13	14	15	16	17	18
82	66,200	83	92	39,100	78	91	6 24,200	118

31. The price of jute is subject to wide fluctuations usually between Rs. 5 and Rs. 10 per maund though there have been occasions where it has risen to over Rs 20 It is an expensive crop to cultivate The fol-

lowing estimate of the cost of cultivation of one bigha was drawn up in connection with the proposal for a jute sale society in Nowgong —

	Rs	a.	p.
6 men ploughing for 12 days at 8 annas a day ..	6	0	0
2½ seers of seed at 8 annas per seer ...	1	4	0
Harrowing twice ...	1	0	0
Weeding twice—12 men at Re 1-8-0 a day .	36	0	0
Cutting—5 men at Re. 1-8-0 a day ...	7	8	0
Conveyance to steeping place—4 men at Re 1-8-0 a day	6	0	0
Washing—4 men at Re. 1-8-0 a day ...	6	0	0
Extra labour for drying, etc, 4 men at Re 1-8-0 a day.	6	0	0
Land revenue	0	12	0
Total .	70	8	0

The yield was given at 6 maunds per bigha on an average. The cost per maund is therefore Rs. 11-12-0. The estimate in our opinion is excessive. A cultivator has usually members of his own family who will do part of the work. It is often necessary, however, to engage some hired labour, but our enquiries go to show that the daily rate of remuneration would be somewhere in the vicinity of one rupee a day. The labourers, however, not infrequently get three meals a day in addition. The average normal yield of jute in the province is $3\frac{1}{2}$ bales of 400 lbs each per acre or nearly 6 maunds per bigha.

We would invite attention to the fact that in Assam jute and mustard are by far the most important non-food crops. In 1928-29, the total out-turn of mustard was 6,200 tons which was 83 per cent of the normal. If we take Rs. 7-8-0 as the average price of one maund the value of a normal crop of mustard in Assam would be about 16 and three-quarter million rupees. The average yield is about 6 maunds per acre. In 1928-29 the total out-turn of jute was 6,24,200 bales of 400 lbs each or 118 per cent of the normal. The average price might be taken at Rs. 7-8-0 per maund. On this basis the value of a normal crop of jute in the province would be about 19 million rupees. In 1928-29, the chief mustard growing areas were, in order of production, Goalpara, Kamrup and Nowgong; and the chief jute areas were Nowgong, Goalpara and Kamrup. The leading districts for sugarcane were Sibsagar, Lakhimpur and Cachar. The normal yield of sugarcane in the province is about 50,000 tons of *gur*. Taking the average price of a maund at Rs. 9 the value of a normal crop would be about $12\frac{1}{2}$ million rupees. The average yield is 31 maunds of *gur* per acre.

CHAPTER III.

General description of existing credit agencies.

32. (a) *Imperial Bank*.—There are two branches in Assam—one in the plains at Dibrugarh, the headquarters of Lakhimpur district, and the other at Shillong, the headquarters of the province in the Khasi and Jaintia Hills. The agent of the Dibrugarh branch declined to give evidence, being under the impression that he was forbidden to do so by his Head Office. The agent of the Shillong Bank submitted a short note in which he stated that Marwari dealers in potatoes who exported to Calcutta and drew *hundis* on their Calcutta agents, had the *hundis* discounted by the Imperial Bank. This branch which is in charge of the Government Treasury also provided facilities for internal remittance. He noted that current accounts—had become more popular with certain classes of the community, —though the main result had been rather the issue of cheques for paltry amounts than any considerable growth of the banking habit. In a memorandum submitted by Saligram Rai Chuni Lal Bahadur and other Marwari firms of Dibrugarh, it was stated that the local branch of Imperial Bank does not usually take any interest in the agricultural finance of the district. It was pointed out that people including tea-garden managers who formerly used to make deposits with the indigenous banks had now transferred their accounts to the Imperial Bank. This had resulted in a loss to the indigenous banking community. Indigenous bankers themselves had, however, opened accounts with the Dibrugarh branch, and were now able to get their Calcutta cheques cashed by the bank. “Severe competition has resulted in the Bank’s endeavour to secure trade by reducing the discount and indigenous bankers are gradually pushed aside. Briefly, the establishment of the Imperial Bank has helped to a certain extent the growth of the deposit habit but it has done a great loss to the merchants and indigenous banking community.” We think that the reduction of discount in the cashing of *hundis* is for the public benefit and suggest that the one reason for transferring deposits to the Imperial Bank is the consideration of greater safety. The Shillong branch also gives overdrafts to the Provincial Bank and the Calcutta Head Office allows cash credit to the Sylhet Central Bank and this is a point of contact, though indirect, with the agriculturist. When we had practically finished recording evidence, we received a statement of the work of the Imperial Bank branches in Assam which we have been requested to treat as confidential. We deprecate the attitude adopted by the Managing Governors of the Imperial Bank which contrasts unfavourably with the willingness evinced by Indian Joint-stock Banks and loan companies in Assam to place all information at our disposal. We quite agree that it would be unreasonable to expect branch agents to give evidence regarding the policy of the Imperial Bank. All we desired was that they should appear before us to give facts and figures regarding local conditions. We regret not to have had the co-operation which we hoped to receive from a semi-Government institution.

(b) *Joint-stock Banks*.—These are banks registered under the Indian Companies Act, VII of 1913. In appendix A to the annual report on the working of this Act in Assam for the year ending 31st March 1929, 34 companies are shown as transacting business either in money lending or

in banking or in both. The total paid up capital is given as Rs. 4,82,078. The deposits according to figures supplied by the Registrar of Joint-stock Companies amount to Rs. 16,60,711; Reserve Funds are Rs. 2,32,031. It is doubtful how far these institutions can be called banks—most of them are little more than loan offices, receiving deposits and in a very few cases providing for withdrawal by cheques. The oldest is the Sylhet Loan Company registered in 1881, and the next is the Sylhet National Company registered in 1896. No less than 19 have been registered since 1920, and 16 of these from 1926 onwards. Of the companies, 15 are in Sylhet district, 6 in Goalpara, 4 in Kamrup, 3 in Shillong, 2 in Cachar and one each in Nowgong and Darrang. In addition, there are 9 private Joint-stock Companies doing banking and lending business—all, except one, being located in Shillong with a very small paid up capital. Five Joint-stock Banks or Loan Offices have been registered since 1st April 1929. There is also the Planters' Stores and Agency, Company, Limited, Dibrugarh, (not registered in Assam) which does banking business and to some extent finances tea industry on the hypothecation of crops through the Calcutta branch. Messrs John Smeal and Company, Silchar, also do banking business. So far as we have been able to ascertain, most of the business done by the Joint-stock Banks registered under the Indian Companies Act takes the form of loans to the middle-classes and only to a minor extent do they finance trade, industry, and agriculture. The Dhubri Loan Company, the Nowgong Bank Limited, and to a lesser extent, the Tezpur Industrial Bank do however finance ordinary agriculturists. Some of the companies have money locked up in tea gardens partly in financing capital block accounts of Indian tea concerns.

In view of the comparatively small working capital of the Joint-stock Companies and in view of the fact that so many of them are institutions of comparatively recent date, their operations must, in the nature of things, be rather restricted.

(c) *Exchange Banks*—There are none in the province.

Private Banks—There are no private banks of the type of English private banks.

(d) *Indigenous Bankers*.—Practically, these are confined to large Marwari firms in some of the towns of the Assam Valley who accept deposits and do lending business. Some of them also issue cheques. It is to be noted that these firms do not invite deposits. Local people, however, do keep deposits at about 6 per cent per annum which are withdrawable at call. People seem to have confidence in these indigenous banks and difficulty is rarely experienced in withdrawing the money when required. It must not be thought that all big Marwari firms receive deposits though most do. Then again, there are smaller Marwaris in the villages who very occasionally receive deposits but as a rule they depend for their finance on bigger firms in the town. Pass-books are rarely issued by the indigenous banks, though frequently deposit receipts are granted. The accounts of banking business are, however, not kept separate from those of the general trade business and no separate balance sheet of the losses and profits of banking business only is prepared. The loans in villages frequently take the forms of advances on condition of repayment of principal and interest in the shape of produce. As a rule, the Marwari firms would not transact any pure banking business unless they had a surplus not

required for trade and business. The first consideration is trade and not banking. A mixture of lending and trade is to be found in cases where an agriculturist requires a loan, say for a marriage. Such a loan, if granted in cash, would usually be spent in food stuffs and clothes and the borrower, as a rule, has to take the loan in the shape of goods, if the Marwari has them in stock. No information is available as to the amount of capital lying with these indigenous bankers for purposes of credit. We believe it amounts to many times the working capital of the Joint-stock Companies dealt with above. In Sylhet and in Barpeta subdivision of Kamrup these indigenous bankers who are usually local men are few in number, and the acceptance of deposits by them is comparatively rare.

(e) *Money lenders*—It is difficult in the case of Marwari firms to draw the line between indigenous bankers and money lenders. Those Marwari who do not receive deposits might come under the head of money lenders. Professional money lenders are to be found mostly in Sylhet and are of different castes. To a less extent they are to be met with in Cachar. There are still fewer in the Assam Valley. No information is available as to their capital or profits, except in the case of a comparatively few who are assessed to income-tax. There are some Kabulis who carry on a regular money lending business (as distinct from their cloth business) in Goalpara and Kamrup and there are a few in Nowgong. In all districts there are to be found people who have saved money and who lend it out usually to their fellow-villagers. These are mainly well-to-do cultivators, though people like stamp vendors, and pleaders' clerks also come in this class. Then we have, especially in Sylhet, people who lend out in the shape of paddy, these are zemindars or well-to-do cultivators. In Nowgong, Mymensingh immigrants sometimes lend in this way. There are also Muhammadans who lend in cash but stipulate for repayment in the shape of paddy or jute at a rate which allows for interest. In the Assam Valley, many ex-coolies regularly lend money.

No information is available as to the amount of funds in the hands of all those money lenders.

(f) *Co-operative Banks and Societies*—Full details will be given in the chapter on "Co operation." It will suffice to state here that there were on the 31st March 1929, 1,234 Agricultural Societies with a working capital of Rs. 25,98,460, 15 Central Banks with a working capital of Rs. 16,38,752 and one Provincial Bank with a working capital of Rs. 3,87,420. There were also several Town Banks, four Land Mortgage Banks and other non-agricultural societies with a working capital of Rs. 18,38,039. The total working capital of all these institutions was Rs. 64,62,671.

(g) *Post Offices*.—They may perhaps be said to serve as credit agencies in so far as they afford facilities for savings bank deposits, for remitting money, and for purchasing Government securities. Reference will be made to the part played by post offices in Chapters X and XVI.

(h) *Government*—Government acts as a credit agency mainly in the issue of loans under the Agriculturists' Loan Act and, on a much smaller scale, under the Land Improvement Loans Act. Loans are also granted by the Department of Industries. The Provincial Bank and the Kamrup and Sylhet Land Mortgage Banks received loans from Government on easy terms.

(2) *Other Credit Agencies.*—In the town of Barpeta in Kamrup there are funds called *hati* funds. The town is divided into 22 sections called *hatis*. Each *hati* has a common fund derived from donations which are customary at the time of marriage, supplemented by social fines. The *hati* fund is lent out to members of the *hati* at 12 per cent interest for trading purposes and on occasions of marriage. In some *hatis* the funds amount to Rs. 7,000 or Rs. 8,000, and in smaller ones to Rs. 2,000 or Rs. 3,000. In most Assamese villages there is a *Namgha* or prayer house. Connected with these *Namghas* are funds collected from the villagers on social occasions or derived from social fines. These funds are lent out on the same lines as the Barpeta *hati* funds, though they are on a smaller scale. Some zemindars lend money to their tenants. An example is the Gouripur Raj in Goalpara. Zemindars in Sylhet also occasionally lend out money, but this is usually in the shape of paddy loans at an exorbitant rate of interest. In Barpeta subdivision of Kamrup there are *dalals* who work partly on their own capital and partly on borrowed money. They buy agricultural produce from *faras* which they then sell on commission to traders who come up from Bengal. Their working capital is considerable and they are in some ways unique in Assam though they resemble the ordinary *araddars*. There are Sualkuchi traders who take goods up the Brahmaputra from Gauhati and sell them partly on credit, occasionally exchanging them for mustard seed.

PART II.

CREDIT FOR AGRICULTURE, MINOR INDUSTRIES AND
INTERNAL TRADE

CHAPTER IV.

Volume and distribution of agricultural indebtedness in Assam.

33 In order to ascertain the indebtedness of typical villages in the province, the services of the Central Bank and of the Co-operative Inspectors were utilised. Forms with clear instructions were sent to them to be filled up and they were also asked to answer certain questions as to the cause of debt, the source from which loans were obtained, the rates of interest, etc. Some of the Central Banks took considerable interest in the matter, others did not. The figures collected for Maulvi Bazar subdivision in Sylhet, for Golaghat and Sibsagar subdivisions in Sibsagar district, for Lakhimpur and Kamrup districts were so meagre and incomplete that we refrain from using them. The following statement tabulates the results.—

Locality	Number of villages	Number of families	Total debt	Average debt per family	Average debt per indebted family	Percentage free from debt.	Percentage of total families having debts of Rs 100 or under.
1	2	3	4	5	6	7	8
			Rs				
North Sylhet	8	985	2,80,428	238	266	10	40
Sunamganj	5	393	1,09,058	277	304	9	29
Habiganj	9	831	1,99,582	240	267	10	28.5
Karimganj	6	206	70,292	237	272	13	43
Cachar	9	741	1,83,029	179	200	10	44
Darrang	12	738	1,38,440	183	229	18.5	39
Nowgong	7	419	70,860	183	235	22	33
Jorhat subdivision	5	140	17,672	120	145	16.5	40
Goalpara	10	446	80,761	111	180	33	30
Total	71	4,995	10,26,127	...	...	..	..

According to these figures we have a debt of ten lakhs among 5,000 families or say 25,000 people, all of whom except a very few are pure agriculturists. In the census of 1921 the population of the plains districts in Assam was roughly 68 lakhs. According to Subsidiary Table I at page 182 of the Census Report 7,614 out of every 10,000 persons were supported by ordinary agriculture—or roughly three-quarters. This would mean 51 lakhs of such persons in the plains districts. Ten per cent may be added for increase of population since last census giving 56 lakhs. According to the tabular statement the indebtedness is 40 lakhs for every lakh of persons supported by agriculture. So, the total agricultural indebtedness of the plains districts would be somewhat over 22 crores. We do not claim any degree of accuracy for this figure. We give it for what it is worth. It may be of interest to note that Mr Darling in his book "The Punjab peasant in prosperity and debt" calculated the total agricultural debt in the Punjab at 90 crores on a population of 21 million inhabitants. Our figure is a debt of 22 crores on an agricultural population in the plains of $5\frac{3}{5}$ million people. According to appendix V in the Report on the Land Revenue Administration in Assam for 1928-29, the ordinary land revenue demand in the plains districts is Rs 106,12,647. A debt of 22 crores is about 21 times the annual land revenue. Mr Darling estimates the total agricultural debt in the Punjab as 19 times the land revenue. In view of the fact that the land revenue of the permanently-settled area of Sylhet is Rs 3,64,904 as against Rs 7,19,765 for the temporarily-settled portion which is far smaller in area, it is not surprising that the total debt in the province should bear a somewhat larger proportion to the land revenue than in the Punjab which has no permanently-settled land. The rate of land revenue of permanently-settled land is very low. Out of 4,995 families, 749 are free from debt or 15 per cent of the families. The average debt per family is 205, and per indebted families is Rs 242. We would invite attention to some special points regarding indebtedness in particular districts.

We would invite a reference to our remarks in paragraph 31 in Chapter II as to the value of crops. According to our calculations, the average annual gross value of the main crops—rice, jute, mustard, and sugarcane—comes to about 34 crores which is about 54 per cent more than the estimated debt of 22 crores in the plains. Only a very small proportion of those crops is grown in the hills. It is interesting to note that Mr Darling in his book states that "for the three years ending 1922-23, the average annual gross value of the latter (agricultural produce) is estimated at 128 crores (£ 86 millions) which is 42 per cent more than the total debt."

34 Both Sylhet and Cachar suffered severely by the unprecedented floods of June 1929. Relief was given by Government on an extensive scale in the shape of gratuitous relief and agricultural loans. In 1928, the *amon* rice crop which is the staple rice crop in most of Sylhet and the *buro* rice crop which is the main crop grown in Sunamganj, were poor—about 8' or 10' annas. The enquiries as to indebtedness were made in the cold weather of 1929-30. In the parts of Sylhet where *sail* or transplanted rice was reaped in November and December last, the crop was an excellent one but most of the district had no *amon* crop to reap and the *buro* crop will not be cut till April-May 1930. After the floods, the cultivator borrowed when he could find a money-lender willing to lend but at an exorbitant

rate of interest The Government agricultural loans did not suffice for his needs Besides, the cattle mortality both in Sylhet and Cachar, owing to the floods, was very heavy In these circumstances, we believe that the indebtedness in the four subdivisions of Sylhet for which figures are shown is considerably heavier than it would be in normal years It is a matter of common knowledge that Sunamganj and part of Habiganj suffered more severely than other parts of the district. Owing to the absence of comparatively high lands for transplanting rice, they could not, for the most part, reap a crop last cold weather and will not be able to harvest *amon* rice till November or December next though *boro* will be ready in April or May It is only to be expected, therefore, that the indebtedness would be somewhat higher in these two subdivisions and the tabular statement bears this out

35 The figures for indebtedness in Cachar are higher than what would have expected, as the economic condition of the cultivator in Cachar is known to be better than Sylhet But some of the villages surveyed were badly hit by the flood and we think this may afford a reasonable explanation In this connection we would note that as mentioned in Chapter II, an economic survey was made in 1920 of 29 villages with 2,054 families in the Hailakandi subdivision of this district The total debt was Rs. 1,91,508, 1,289 families or 62 per cent of the total number of families were found free from debt The average indebtedness of all families was Rs 92 and of the indebted families Rs 247. Owing to the floods, we would expect a considerably increased indebtedness at the present time. We note that in our survey while only 10 per cent are free from debts, 44 per cent have debts of Rs 100 and under.

36 In Nowgong in the Assam Valley out of seven villages surveyed three are inhabited by immigrants—one village of Mymensingh Hindus and two of Mymensingh Muhammadans It is well-known that the immigrants are much more indebted than the indigenous Assamese If we exclude these villages and take only the Assamese villages, the total indebtedness is Rs 31,285 among 253 houses, giving an average of Rs 123 per house Of these 253 houses, 61 or 24 per cent are free from debt The average debt of an indebted Assamese household would be Rs 160 It is interesting to compare these results with Darrang on the opposite bank of the Brahmaputra Out of the 12 villages surveyed there, two were inhabited by Mymensingh settlers and one by Nepalese Both of these classes take large advances from Marwaris and other *mahajans* If we exclude these three villages and take the remaining 9 Assamese villages, the total indebtedness is Rs 57,545 among 447 households or Rs 121 per household Of these 447 families, 119 or 25 per cent are free from debt. The average for the indebted Assamese families is Rs 160. The similarity in the figures for Nowgong and Darrang for purely Assamese villages is worthy of note There is another point as regards Darrang We had no reason to believe that villages like Nij-Borbhogia, which is usually considered a prosperous Assamese village, and Kekurakhinda should be so heavily indebted. If we exclude these two villages as well as the three villages of Mymensingh and Nepalese settlers, we find a debt of Rs 26,534 for the remaining 7 Assamese villages with 354 families. This gives an average debt of Rs 75 per family, 106 or about 30 per cent of these are free from debt This we believe to be a nearer approximation to the truth in normal times as regards Assamese villages. But in calculating

average indebtedness, regard must be had to the increasing number of Mymensingh villages in both districts, as also of Nepalese villages in Darrang. These must raise the family indebtedness for the district. Then again, when we made our enquiry in the Assam Valley a bumper crop of transplanted rice—the staple crop—had been reaped the price of which was abnormally low. In Nowgong, in January the price was Rs. 1-12-0 to Rs. 2 per maund, and there was practically no market for it. The normal price according to Statement VI of the Season and Crop Report in the Table of Agricultural Statistics of Assam for 1928-29 is Rs. 3-10-0 per maund. This meant that the people were less able to clear off their debts than they would have been if prices had been normal. As regards the Mymensingh settlers in Nowgong, who grow jute extensively, the crop harvested last autumn was very poor and the price very low, about Rs. 5 a maund. In a good season with decent prices, they usually clear off their advances, but they were unable to do so last season, hence the larger indebtedness found at the time of the economic survey.

37. In Nowgong, we ourselves made a survey of six villages. The results are tabulated below —

Name of village	Class of inhabitants	Number of families	Total debt.	Average debt per family	Average debt per indebted family	Percentage free from debt.	Percentage of families having debt Rs. 100 or less
1	2	3	4	5	6	7	8
			Rs				
Chakurigaon (3 miles from Nowgong town)	A typical Assamese village of the more prosperous kind.	50	5,705	110	203	44	22
Samdharia	An Assamese village, largely in the Lands of Teh village Mahajans	50	9,744	195	263	26	22
Bangaldhara	An Assamese village of lower caste and members of semi aboriginal tribes addicted to liquor and opium	54	7,902	146	158	7	31.5
Dija Basti	A typical ex-coolie village	80	4,307	47	59	20	64
Bairamgaon	A village inhabited mainly by immigrants from Sylhet and Cachar	58	12,386	213	225	5	45
Barthol Kacharigaon	A village of Mymensingh Muhamadan immigrants	30	5,055	169	210	20	37

In all 332 households were surveyed. Of these 66 or 20 per cent were free from debt. Of the 226 indebted households, 134 or about 50 per cent had debts of Rs 100 or under. In order however, to have a proper perspective, it is necessary to note that the indigenous Assamese form by far the most numerous class in the district. The subsequent order would be Mymensingh immigrants, ex-tea-garden coolies, and lastly settlers from Cachar and Sylhet. We believe that the most of the Assamese villages are fairly well-off. Chakurigaon would be above the average and Samdharia below it. The villages of immigrants from Sylhet and Cachar are located in one part of the district on the Jamunamukh side and their total number is far fewer than that of the Mymensingh settlements in the north of the district. Balirangaon was taken as a typical village. The lands are fairly fertile but are liable to occasional floods, as indeed was the case in June 1929. Some jute is grown, the inhabitants are largely in the hands of one Marwari merchant at Jamunamukh who has a practical monopoly of the market, and they are not nearly so industrious as their Mymensingh brethren. Most of these villages have been in existence for 15 to 20 years only. Chakurigaon makes much out of garden produce including bamboos. 37 out of 59 households make profit from this source. The villagers are, generally speaking, free from the opium habit, though some take *ganja*. Nearly all drink tea. There is no borrowing from the Marwari but only from village money lenders at varying rates, from the rural society at 15½ per cent and from Namghar funds at 10 per cent. The heaviest debts are one of Rs. 500 and other two of Rs. 700 each, but the assets of these three villages are far more than their debts. The only crop is transplanted paddy. Only 14 families hold less than 10 bighas which is considered enough for a family of 5 or 6. Seventy per cent have holdings with an area of from 10 to 40 bighas. Paddy is stored in the granaries, and is sold from time to time when cash is required. Samdharia is situated near the Steamer Station of Silghat. All the families are agriculturists except one carpenter. The chief creditors are two Telu shopkeepers whose usual rate of interest is 37½ per cent. Twenty-one out of 50 households are indebted to these shopkeepers. There is a rural society in the village which charges interest 15½ per cent and 14 of the inhabitants are members. Holdings are diminishing in size and not much waste land is available. There is only one opium eater. In addition to paddy, many of the people cultivate mustard and pulses and these are taken by the Telu shopkeepers in payment of advances. About 160 or 180 acres are said to have gone into the hands of the Telis. Loans are also taken from fellow-villagers on usufructuary mortgage. There is not much sale of garden produce.

Bangaldhara is subject to floods now and again. The people depend largely on their mustard crop but for the last three years this has been a comparative failure. The only buyer of produce is the village Marwari who came to the village 23 years ago. During that time he has acquired from his debtors about 140 bighas of land. There are many Lalungs and Mikirs in the village—semi-aboriginals. They are addicted to opium, *ganja* and liquor though less opium is now consumed. There is no cottage industry, but the villagers can find work on the railway and on roads. There is a moribund rural society in the village. Diju Basti is located near some tea-gardens where the villagers can find work when in need of ready cash. Fifty-seven out of 72 houses in debt owe money to a Kabuli who lives half a mile off. More than half the debt is for the price of goods.

taken from the Kabuli and from the Marwari of the adjoining village. There are also village money-lenders of the coolie class who have saved money. The general rate of interest on money borrowed from any of these sources is $37\frac{1}{2}$ per cent. The same is the rate for goods not paid for by the end of the year. The crops are paddy and mustard. Advances are not usually taken with a stipulation that they should be repaid in crops, but there is an understanding that this should be done. No land has passed to creditors: the land has little selling value. There is a rural society in the village and twenty have taken loans from it. A few additional points may be noted as regards Bahramgaon. When the immigrants came first, they had to spend much in capital expenditure in building houses and in purchasing cattle, and they in some cases took up more land than they could economically manage. The main crop is *aman* paddy. Since the price of jute fell in the last two or three years, little jute has been grown and there are few subsidiary crops. Labour for hire is available but it is considered derogatory to work for others. In the village there are a few Lalungs and Hiras who are low caste Assamese Hindus. They are usually in want for maintenance and clothing. They are opium eaters and the Lalungs consume liquor which they make out of their rice. The immigrant settlers who are mainly Muhammadans spend money recklessly when they get a good crop. A rural society was registered in the village about a year ago, but has not yet started operations. Some agricultural loans were granted by Government last year because of flood damage. The finance of the cultivator is obtained from the Marwari at Jamunamukh who is the buyer of produce, from village mahajans who are mainly non-agriculturist money-lenders, and from other creditors who are mostly fellow-agriculturists. Some of the village mahajans and better-off agriculturists are intermediaries between the cultivator and the Marwari at Jamunamukh from whom they get loans on condition that the crops collected by them are made over to him. The usual rate of interest of this Marwari is 75 per cent. In the case of the big advances, especially, a separate stamped bond is taken in which there is a stipulation that the surplus crop should be sold to the Marwari on penalty of payment of heavy compensation. If the balance of account of goods taken from his shop is not cleared off by the end of the Marwari year, the principal with interest is carried over as a fresh loan at the usual rate of interest. The village mahajans or money-lenders generally take simple unregistered bonds except where land is given in mortgage. The usual rate of interest is $3\frac{1}{2}$ to $6\frac{1}{2}$ per cent per month. The agriculturist lenders have an arrangement that if the loan is repaid in a certain time—say 6 months—no interest has to be paid, but if there is default, double the amount lent has to be paid either in cash or in kind. It is said that the Jamunamukh Marwari has practically entire control of the produce market and will brook no rivals.

The surveyed portion of Marthol Kacharigaon is entirely occupied by Mymensingh Muhammadans except for one up-country Hindu. The village was started in the jungly waste about 16 years ago. Jute is the main crop and not nearly all the households grow sufficient rice for their own consumption. The jute crop in the autumn of 1929 was bad and the prices—Rs 5 per maund—very low. Some mustard is also grown, but this year the crop has been poor. As the custom of the Mymensingh settlers is to take advances on the understanding that the crops, especially jute, are given in repayment, it is only expected that when the crops are poor debts

should increase. The Mymensingh settler usually pays up his creditor when he has a good crop and if he has a surplus balance left after this, he does not, as a rule, save it, but invests it in the purchase of more lands, of a corrugated roof for his house or of expensive up-country plough bullocks or, as is too often the case, launches into unproductive expenditure buying fine clothes, horses, bicycles, etc., or spends more than usual in celebrating a marriage. The average Mymensingh settler is, on the whole, fairly well off though he may have a debit balance in bad seasons. The early settlers are the most prosperous. When they came there was unlimited Government waste land but now this is becoming scarce and land has often to be purchased. The land in this village is on annual lease. Conversion into periodic lease is long overdue but this will be done in the course of the resettlement which is at present going on. This will enable the Mymensingh settlers to obtain more credit though this will not be without its risks to the borrower. Even now, annual lease land is often given as security in the mortgage bond by which loans are taken from the village mahajan who is usually a Marwari. He lends often at 75 per cent in the bonds though he does not pretend to realise at this rate. The usual effective rate is $37\frac{1}{2}$ per cent. Most of the villagers are petty cultivators. It is a common practice for a villager who has in hand a stock of paddy to lend to another on condition of repayment at a much higher rate. For example, enquiry showed several cases of paddy being lent when the market price was Rs 3 or $3\frac{3}{8}$ a maund on condition that it should be repaid in cash at the rate of Rs 6 a maund. This is equivalent to heavy interest but it was explained that the creditor would be satisfied if the loan was repaid in two or three years without any increase of rate. There were several cases of small cash loans from one villager to another for which no interest was charged. An attempt was made to ascertain the annual income and expenditure of each villager. All such budgets showed a debit balance, but the figures on both sides were obviously largely guess-work. Loans were not taken into account in estimating income. In any case, owing to the bad season, it is more than probable that most budgets would show a net debit balance. In several of the house-holds there were grown-up relations. These supplemented the family income by working as labourers among neighbouring farmers, especially in weeding and retting jute.

38 In Sibsagar district we have been able to give figures of indebtedness only for Jorhat subdivision. In Chapter II we quoted freely from the recent settlement report of the district. The Settlement Officer remarks that "exact figures are not available to show their numbers but it is safe to say that in the whole district persons of the tea-garden coolie and ex-coolie class are to the indigenous Assamese villagers in a proportion of not less than 1 to 2, a fact which is not always realised when Sibsagar is loosely spoken of as an Assamese district". On the whole the people are not indebted to any large extent except where they are in the hands of middlemen, or buyers of produce. This is the case in places where the people are of the lower castes with improvident habits, and where communications are backward. This is particularly true of the Majuli and in the fluctuating area on the south bank of the Brahmaputra. This is economically the worst part of the district and "the people though simple and honest are surprisingly improvident and largely indebted to traders, a condition doubtless induced by the chances and changes to which their geographical posi-

tion in midstream renders them unpleasantly liable". In the course of settlement operations, an economic survey of four villages was made and the results have been published in a separate report. The following information has been extracted from the report —

Bagonjeng in Golaghat subdivision—Thirteen families out of 44 were in debt to the extent of Rs. 1,356. This gives an average debt of Rs. 30 per family or Rs. 104 per indebted household. On the whole, the village was below the average in prosperity. There were very few cases where a family could be said to be in actual want. The sale of live-stock, mainly poultry and goats, was fairly general. There were five opium-eaters in the village.

Sandtkoigaon in Golaghat subdivision—

The people were of the more respectable castes. A good deal of garden produce was sold. There were 44 families. "Only one family has been shown as indebted and none as taking opium. There were doubts regarding both the people are apt to be reticent on these particular points".

Baruk Barua in Jorhat subdivision—

Out of 51 families, 3 only had opium-eaters. "Income was due almost entirely to the sale of crops and to industry receipts in almost equal proportions, and the village has more than the usual number of craftsmen owing to the gold-smiths' business". Twenty-three families were indebted to the extent of Rs. 2,400. "Indebtedness is frequent, nearly half the families being concerned. But on visiting the village this year (1926), I found that the debts had in a number of cases been paid off, probably owing to the very high prices for produce prevailing in the last three years. Debts are found too in the case of the more prosperous persons classed as comfortable, and do not necessarily indicate distress, but frequently represent borrowings for festivals, purchase of cattle or other special events".

Duliagaon in Jorhat subdivision—

This village is three miles from Jorhat town and three fourths of the population are Assamese, the rest being mainly ex-coolies. More of the income of the villagers is derived from labour, industry and service than from agriculture. This chiefly consists of labour in tea gardens. On the whole the condition of the villagers is moderate. Out of 64 families, 11 only were in debt to the extent of Rs. 1,415. We note that these cadastres were prepared in 1924.

39. For the district of *Lakhimpur*, including the North Lakhimpur subdivision, we have been able to secure no precise information as to the extent of indebtedness. It would be, we think, correct to say that the condition of the Assamese and ex-coolies is not unlike that of Sibsagar district but that the inhabitants of North Lakhimpur are more in the hands of the trader.

For *Kamrup* the statements of indebtedness we have received are too few to be safely utilised as indicating the probable state of indebtedness. In the course of the settlement operations recently conducted, the Settlement Officer investigated the economic conditions of about a hundred families living in the sadar subdivision which formed the subject of a printed report. The enquiries, however, were more limited than those made in Sibsagar and were conducted on different lines. The most prosperous part of the district is the Rupit mahal, a tract between the low land near the Brahmaputra and the submontane area at the foot of the hills. We would

refer to the extracts from the final settlement report which we have given in Chapter II. These indicate where the people are most indebted. The Settlement Officer in his report on the Barbhog group refers to an interesting form of personal service. "A *Bandha* is a person who binds himself to serve for a number of years in return for a certain sum advanced to him or his family. Formerly the service was given in lieu of interest and as the principal remained unpaid the *Bandha* in fact became a perpetual slave. Latterly, however, the courts have discountenanced this form of slavery as being against public policy and now in addition to interest a part of the capital is written off for each year of service. The master feeds and often clothes the *Bandha*. The sum to be written off every year depends upon the serviceability of the *Bandha* and the amount of the original advance. The usual rate for a full-aged *Bandha* may be taken as an annual deduction of Rs. 40 to Rs. 60 in a loan of Rs. 200".

Goalpara.—We desire to point out that in one or two of the villages surveyed, the inhabitants were Garos or were people with little credit; there was therefore a considerable number of families free from debt or owing only small sums.

It should be noted that in Assam most of the agriculturists are proprietors of the land they cultivate. In permanently-settled Sylhet, most of the cultivators are petty mirashdars who pay land revenue direct to Government. The proportion of tenant population in the Province is small. The last census figures show that while 5,825,000 of the population were ordinary cultivators, there were only 107,000 receivers of rent and the number of those who lived principally on the rent of land had decreased by over 20 per cent in the preceding ten years. The tendency for the tenant in permanently-settled estates to buy up the land for himself is to be seen in Sylhet.

40 *Methods of estimating volume of indebtedness*.—For estimating the volume of indebtedness the only method that suggests itself to us, as being likely to be of true value, is to have a thorough systematic enquiry made by hundreds of trained men who have been instructed precisely what to enquire into. Such investigators should be preferably those who know the agriculturists and who are likely to gain their confidence. Their work would have to be supervised by others who have an intimate knowledge of the cultivator. We would refer to the organisation of such workers by the late Mr. Jack in his book "The Economic Life of a Bengal District". Preferably, such an enquiry should be made in a normal year and not when a district has been devastated by floods, such as was the case in Sylhet in 1929. It is a question how far advances which are taken on promise of re-payment of crops, should be listed as debts, if the practice is normally to pay them off after harvest. The late Mr. Jack refers to this matter at pages 101-102 of his book. He states that loans or advances giving on the security of a sown crop "are always paid off in full at the time stipulated, as the money-lender sends a man to take away his share of the produce as soon as the crop is cut. Short-term loans of this nature are not included in the statements of indebtedness and no accurate estimate of their amount can be given. It is probable that one cultivator in five or in ten contracts them and that, in the total, the sum borrowed does not involve an addition of more than 5 per cent to the indebtedness of the agriculturists classes". We are of opinion that in Assam

e.g., among the Mymensingh settlers or the Miris in Sibsagar and Lakhimpur districts these advances are not paid off promptly but rather in bad seasons tend to accumulate. They also bear a much larger proportion to the total indebtedness than 5 per cent.

Rural societies are supposed to have Haisiats or debt-statements, but on our testing some, we found that they were by no means accurate. In some cases they had not been compiled at all and seldom was any attempt made to keep them up-to-date. In any case, rural societies are comparatively few in number in Assam and hardly exist among some classes, *e.g.*, Mymensingh settlers, where indebtedness is heaviest. In these circumstances, the Haisiats could not be relied upon to give any approximate idea of the existing indebtedness of the province.

Registration records contain information about registered mortgages. Mr. Scott, the Inspector General of Registration, in his memorandum has given the statistics of registered mortgages from 1919—1928. "In Assam the burden of the money-lender on the agriculturists is not so heavy as in many other parts of India. This is perhaps connected with the relatively small proportion of non-food crops such as jute which are grown. Assam mustard is the principal non-food crop grown, and this is grown mainly in areas of fluctuating cultivation when landed security is valueless. Hence I believe that mortgage debt, as well as unsecured indebtedness to a money-lender or shopkeeper, is less here than elsewhere. The figures below give the number and value of mortgages compulsorily registrable, which have been registered in the two divisions of the province for the past ten years.

Compulsory mortgages and registered number and value.

		Surma Valley		Assam Valley	
1		2	3	4	5
		No	Value	No	Value
1919		17,530	21,46,723	2,122	8,82,486
1920	...	21,239	32,08,726	2,653	13,05,604
1921	...	21,314	32,23,928	2,787	14,07,831
1922	...	18,262	26,19,528	2,589	16,09,635
1923	.	16,365	27,20,491	3,090	17,29,919
1924	...	17,397	27,20,714	3,385	18,94,969
1925	...	21,691	33,75,965	4,032	24,80,203
1926	...	24,028	41,86,735	4,436	18,68,650
1927	...	24,773	49,80,490	5,440	26,81,946
1928	...	24,704	46,61,421	6,413	30,59,618

In the Surma Valley mortgages are already numerous, are increasing in number slowly and average below Rs. 200 each. In the Assam Valley mortgages are increasing rapidly in number, and average over Rs 400 each. Thus it is evident that the small man in the Assam Valley has not yet taken to the mortgage as a means of raising money. Money wanted is generally taken in the form of a shop debt". The figures are interesting as showing in the Assam Valley how mortgages are increasing. This we believe, is due largely to the increasing number of advances taken by the Mymensingh settlers. If we had been able to determine the ratio of mortgage debt to the total indebtedness it might have been possible to arrive at an estimate of the total indebtedness but the enquiries made into indebtedness by the Central Banks and Co-operative Inspectors show so great variations between the amount of mortgage debt and unsecured debt that it is impossible to strike any ratio.

41 *Is indebtedness decreasing or increasing.*—On the whole we are inclined to think that agricultural indebtedness in the plains districts is increasing. The majority of us believe that cultivators are less hard-working nowadays. The desire for social advancement, in so far as it means less manual labour, is a factor of some importance. Then there seems to be little doubt that cottage industries are on the decline. We were told, for example, that the rearing of the muga worm meant too much trouble. Necessaries have risen in price, but against this has to be set the increased price of agricultural produce. Paddy and mustard fetch about twice the price they did twenty years ago. In some districts in the Assam Valley as well as in Sylhet, holdings are becoming too small to be economically profitable. Connected with this is the high price that has to be paid for additional land. Litigation expenses are heavier though this would affect the people of Sylhet and the Mymensingh settlers more than the indigenous inhabitant of the Assam Valley. Cattle mortality is heavy even in normal times, apart from floods, the people do not look after their cattle which often get insufficient or unsuitable fodder, degenerate, become less capable of work, and die earlier, all this means an increased demand for plough-cattle with the result that the cultivator has to pay an enhanced price for them. It is clear that expenditure on luxuries is on the increase, and the temptation to indulge in them is steadily growing. We have in many places, a higher standard of living, and this means increased expenditure. The price of opium is much more than it was 20 years ago but, as against this, we have to set the fact that rations have been and will continue to be reduced. We have evidence, however, that the illicit sale of opium at a very high price is by no means uncommon. So far as we can see the exploitation of the cultivators by the village mahajans such as Marwaris and Telis, by village money-lenders in both Valleys, and by ex-tea-garden coolies and others—is on the increase. This is particularly the case where advances are taken on promise of repayment of crop. The evidence as to whether more is being spent in ceremonies, such as marriage and *Sradha* is not conclusive. The price of the articles purchased for ceremonies is, at any rate, higher.

42. *Causes of indebtedness.*—The Central Banks and the Co-operative Inspectors who enquired into indebtedness were instructed to ascertain the

reasons why the cultivator borrowed The following table summarises the percentages for the two Valleys,—

—	Purchase of cattle	Repayment of earlier debts	Marriage and social ceremonies	Maintenance	Purchase of land	Total.
1	2	3	4	5	6	7
Assam Valley	30	11	11	13	15	80
Surma Valley	13	19	11	19	10	72

Some of the enquiring staff were not of a particularly high level of intelligence and some did not take sufficient trouble in enquiring into the truth of the information given by the cultivators. We do not think most of them understand what exactly was meant by the item "growth of the debt by compound interest". Where this column was filled up, the figure was usually very small and the percentage to the total debt very low. We think it should have been much larger. It is often difficult, however, for the raiyat to give even approximately exact information on this point. As regards the Surma Valley, we would have expected the debt on account of the purchase of cattle to be much higher. The uniformity of the percentages for expenditure on marriages and social ceremonies in both Valleys may be noted. The statement shows that borrowing for maintenance even in normal times is more extensive in the Surma Valley than in the Assam Valley, this was what we expected, the percentage, however, might have been lower but for the floods of 1929. Land for sale is much more plentiful in the Assam Valley and this would account for the larger borrowing under that head. Among other causes of borrowing are purchase of seeds and manure and hire of labour but these items are insignificant though sometimes the Mymensingh settlers spend a good deal on hired labour for jute cultivation. Not much is borrowed for land revenue or for house building though in North Lakhimpur land revenue is often paid to the mauzadar by the village mahajan who realises it from the raiyat. In the resettlement of Sibsagar district, the percentage of the proposed land revenue to the estimated value of the gross produce was about 9 per cent. The percentage in Nowgong is about similar. In permanently-settled tracts of Assam, land revenue is a petty item. The Mymensingh settler often buys a corrugated iron roof for his house when he has had a good year or some surplus cash in hand after repaying his advances. Debts for buying improved agricultural implements or for improvement of land or for education are practically nil. Village petty traders sometimes borrow to start or carry on business. Litigants have sometimes to contract loans but the proportion to the total debt is insignificant. In our inspections of rural societies we have found that purchase of cattle, repayment of old debts and to a lesser extent marriages and purchase of land were the chief causes of borrowing. It is perhaps unnecessary to add that untimely heavy rainfall, especially when it causes floods, will, if it causes substantial failure of crops, lead to increased borrowing, and this is too often the case in the Surma Valley. Crops may also fail because of

a spell of drought or because they are checked by the water-hyacinth but we do not think that in Assam this increases borrowing to any appreciable extent. Muhammadans who are not supposed to accept interest find a favourite form of investment in land, and where their savings do not suffice to purchase the desired plot, they borrow. In this connection, it should be stated that the indigenous Muhammadan settlers live on a more extravagant style than the average Hindu and are more likely to incur debt. There is no doubt that the consumption of opium, *ganja* and country liquor is a cause of debt. But on the other hand, a confirmed opium-eater who does little work would not receive much credit from the money-lender. A consumer of opium is more likely to get funds for purchasing the drug by stinting himself or his family in other directions. If the cultivator supplemented his income by subsidiary occupations or by cottage industries, he would be less likely to run into debt. The root of the matter, however, is that the average agriculturist has not learned the importance of saving. He has got no thought for the morrow and he trusts to Providence or Kismet to see that he and his family are provided for.

43 *Effects of indebtedness*—Where a loan or advance is taken from a produce merchant on condition of repayment in crop, the cultivator does not get the full market value of the crop and the portion of the crop which he gives in lieu of interest is usually tantamount to a very high rate of interest at the rate of half an anna per rupee per month for a few months. Matters are made worse by the fact that the borrower does not know where he stands. He cannot say how much of the advance remains unpaid and how much it will amount to in course of time owing to the growth of interest. A cultivator who takes a crop advance has to sell immediately after harvest and generally secures a considerably lower price than he could get if he had been able to wait for a few months—it may be about 12 annas less in the case of a maund of paddy. Nor can he choose his own market. He could get a higher price by direct sale to the consumer in the bazar if he was a free agent.

The cultivator who borrows money which is to be repaid, according to the mortgage bond, in six months' time will not as a rule be pressed by his creditor for the principal if his economic condition is fairly sound and if he pays a little interest now and again. After 3 years or more have expired, he will often be made to execute a new bond for principal and balance of interest compounded at a high rate of interest. If this is not repaid in a reasonable time, he stands a chance of losing his land, and becoming a landless labourer. We noticed that this was common among ex-coolies on the Bishnath side in Darrang district.

The cultivator who takes a paddy loan especially in Sunamganj in Sylhet will find himself hopelessly indebted to the lender if he has one or two bad seasons when the crops fail. The main cause of this is the alarming rate at which the interest increases.

It is not only the cultivator who has mortgaged his land that is likely to lose it if he fails to pay his debt. It is quite a common practice for a village mahajan to compound with ex-coolies to sell their land to him at a price below the normal rate to clear off their debts, even though it has not been mortgaged. Even if the ex-coolie is allowed to remain on the land and as a tenant-at-will of the mahajan, his position is most insecure and he is not likely to exert himself to improve his lot.

Generally speaking, the more ignorant and helpless a borrower is, *e.g.*, an ex-cooly, a Lalung or a Mikir, the more likely he is to be victimised. Such is not the case with the Mymensingh settler who is shrewd and hard working. Provided the mahajan gets the jute crop in normal years—even though he may have to allow for bad seasons—he is content to wait. He knows that the average immigrant will make a point of paying him if he can and that he will not quarrel unnecessarily over the high rate of interest.

Generally speaking, the Marwari or other produce merchant wants the crop, not the land. Where, however the borrower is unable to pay from the proceeds of the crop or from any other source, the mahajan will take the land because he can get nothing else. His intention is not so much to continue to hold it as to sell it at the earliest opportunity to some one who will pay a fair price. The ordinary village money-lender however, or the prosperous ex-cooly who lends money will ordinarily prefer to have the land. Another effect of indebtedness is that if a member of a rural society has also borrowed from a moneylender or a village mahajan, he will pay the latter first and allow his debt to the society to fall into arrears. He knows that the society is not able to supply all his demands for money and that he will have to go again to the money-lender. Unless he repays his past borrowings, he is not likely to get accommodation in future. He knows that the rural society composed of his fellow-villagers is not likely to take effective steps against him. Again, a cultivator who is heavily indebted and who cannot pledge any credit may not get enough food, clothing and medicine. This is sometimes the case where the debt is inherited. If a cultivator is hopelessly involved, he gets into a state of despair and will not think of devising means or of exerting himself to clear off the debt. He is in the hands of *hismet*.

There are three classes of debts which the cultivator grudges to pay ancestral debt, debt due to the growth of compound interest, and debt shown in the bond which is less than what he actually received. He tends to postpone payment of these until his hand is forced. Only to the extent to which he has inherited ancestral property, is he legally liable for the ancestral debts but because of religious scruples he sometimes undertakes, in a bond executed after his father's death, to repay the old debts. He is ignorant about his legal liability. We have received considerable evidence that it is not uncommon to make a borrower execute a bond (say) for Rs 100 but to pay him only (say) Rs 80. It is difficult to prove this in the law courts, but we are satisfied that the practice does exist.

44. *Sources of Loans.*—The main sources from which the agriculturist derives his loans are the village mahajan, the buyer of produce, co-operative societies and other creditors.

Under the village mahajan we include the professional village money-lender other than a buyer of produce. These, in Sylhet and Cachar, are mainly persons of the Brahmin, Kayastha, Saha and Pal castes. In the Assam Valley they would include besides the occasional indigenous Assamese and Barpeta money-lenders, those village Marwaris and Telis who do not

stipulate for payment in produce and also the Kabuli and the well-to-do ex-tea-garden coolie who lends out his savings. This class would also include the shop keeper who sells goods on credit.

By buyers of produce we mean those who give advances on condition of repayment by crop. These are rare amongst the indigenous inhabitant of both Valleys and indeed buyers of produce are not common in the Surma Valley. In the Assam Valley the ordinary buyers of produce are the village Marwaris, the Telis, the Jhalas and traders, who come up from Sualkuchi in Kamrup for the mustard crop. Their chief clients are the Mymensingh immigrants, ex-tea-garden coolies and Miris. Co-operative societies are few in number. The total working capital of unlimited liability credit societies for the year ending the 31st March 1929 was Rs 25,85,918 with a membership of 53,065. The land mortgage banks of Kamrup and Sylhet would come under this head. Government gives agricultural and land improvement loans as also occasional loans for fostering industries. Only the agricultural loans are of much importance and these, as a rule are given only in times of calamity. Indirectly Government has assisted in finance for co-operative loans in so far as it has lent money at low interest to the Provincial Bank and the Land Mortgage Banks.

Under other creditors we include well-to-do agriculturists who lend to their fellow villagers, also rare cases of loans to raijats from zamindars. Lenders of paddy in Suramganj and elsewhere come under this class as also Hatu funds in Barpeta and *Namghat* funds in the Assam Valley.

Indigenous bankers would sometimes be included among village mahajans or buyers of produce. Some of the Joint Stock Companies such as the Loan Offices in Nowgong, Dhubri and Tezpur also lend to agriculturists. The Imperial Bank is only remotely concerned with loans to agriculturists in so far as it helps the Provincial Bank with overdrafts and grants cash credit to the Sylhet Central Bank.

Those who made enquiries as to indebtedness in the various districts were asked to ascertain the source of the loans. The figures cannot be relied upon as the investigators were not experts. We give a summary of percentages for what it is worth.

	Government	Village mahajan	Rural societies	Buyer of produce	Other creditors
Assam Valley	1	20	11	35	24
Surma Valley	2	70	8	2	18

It was only to be expected that the borrowings from buyers of produce would be very small in the Surma Valley. The proportion of loans from rural societies is unusually high. The explanation is that the supervisors of the Central Banks and the Co-operative Inspectors made their enquiries chiefly in villages which contained rural societies.

For six villages in Nowgong which we surveyed the table is —

Government.	Village mahajan	Rural societies	Buyer of produce	Other creditors
4	38	7	22	29

45 *Conditions of borrowing.*— In the next two chapters details will be given as to the rate of interest, and period of loans. We may say however that the usual rate of interest at which the agriculturist borrows is in the neighbourhood of $37\frac{1}{2}$ per cent per annum. Those who conducted the economic enquiries have noted on what security loans are generally granted. We do not think the information is particularly reliable. Most of the loans seem to be incurred against assets other than land.

The following table summarises the result of the enquiries on this point —

—	With land as security in the form of registered mortgage.	Incurred against houses, ornaments and crops and against all assets without a specific pledge.	On present credit secured by demand promissory notes.
Assam Valley .	22	63	15
Surma Valley ...	38	43	19

We also give the table, showing the results of our own enquiries in six villages in Nowgong —

With land as security in the form of registered mortgage.	Incurred against other assets without a specific pledge	On present credit secured by demand promissory notes
18	65	17

We have reason to believe that, in many instances, usufructuary mortgage bonds which were not registered have been included in the first column. We have already referred to the frequency of the practice in the Assam Valley of making advances on condition that repayment is made in the shape of crop, and we have alluded to the disadvantages under which the cultivator labours in this kind of advance. We have discriminated

between the intentions of the village Marwari and the indigenous money-lender in taking land as security. In the Assam Valley much of the land is under annual *patta* and cannot legally be mortgaged but nevertheless such land is often mortgaged. Loans on oral agreement are not uncommon and generally for small sums no document is executed. Loans on ordinary demand promissory notes appear to be less common than loans on mortgage of land or on the security of general assets. Loans are occasionally given on the pledge of ornaments, but this is not very common. There is evidence that sometimes mauzadars (the non-official agents for the collection of land revenue) in the Assam Valley allow raiyats to fall into arrears and then make them execute a bond for the arrears of two or three years, taking mortgage of the land. We strongly deprecate this practice, especially as the intention of such mauzadars is to get the possession of the land. Their duty is to take legal steps to recover the arrears punctually by attachment of moveables. Unfortunately the victims of this practice of the mauzadars are often helpless ex-tea-garden coolies. A favourite mode of borrowing is to take goods on credit. This is disastrous because if the purchaser does not pay by the end of the financial year, the *Khata baki* and interest are compounded and a bond is frequently taken with further interest at 24 per cent or even $37\frac{1}{2}$ per cent. We cannot too strongly condemn the system of paddy loans. In some parts of Lakhimpur there seems to be a custom that cultivators who take advances from ielis and Johalas have to give a certain area of crop in lieu of interest. In Jaintia in Sylhet there is a practice whereby a borrower executes a deed of sale of his land in favour of the money-lender, if payment of the debt is made, the land is released.

In Assam there are two main kinds of mortgage. Under the system of simple mortgage (sometimes called 'Matebori') the debtor pays cash interest on the loan and remains in possession of the land. The other system is ordinary usufructuary mortgage (sometimes called 'izara' or 'gribbi'). Under this, the debtor mortgages land which passes into the hands of the creditor who enjoys the produce in lieu of interest. The land will be restored to the debtor on repayment of the principal. A third kind of mortgage which is not so common is 'daisudi' mortgage. The land is mortgaged for a fixed term—say 10 years, and must be returned to the debtor at the end of the time. The reason why it is perhaps not more popular is that if the debtor is willing to pay his debt before the expiry of the period, the creditor is not bound to give up the land. It stands to reason that this mortgage would not appeal to a debtor who means to do his best to pay up as early as possible. On the whole, however, we think that this type of mortgage should be encouraged. We note with satisfaction that under section 25 of the Goalpara Tenancy Act I of 1929 an occupancy tenant is not allowed to enter into any form of usufructuary mortgage except a complete usufructuary mortgage which may be for any period not exceeding nine years and which may be redeemed at any time before the expiry of the said period. In the explanation to the section a "complete" usufructuary mortgage is defined as meaning a transfer by a tenant of the right of possession in any land for the purpose of securing the payment of money or the return of grain advanced or to be advanced by way of loan, upon the condition that the loan, with all interest thereon, shall be deemed to be extinguished by the profits

arising from the land during the period of the mortgage. We commend that a similar provision should be made in any future tenancy legislation for other parts of the province.

46 *Existing credit facilities for clearing debts.*—There is nothing in the shape of a debt-clearing bank for the province. The only organisations which deal specifically with the clearing of debts are the Land Mortgage Banks and this subject will be dealt with in detail in a subsequent chapter. Rural societies however, do lend money for clearing off old debts but the difficulty is that a rural society is not the proper vehicle for such loans, as the society depends mainly on short-term deposits or on loans, from the Central Bank. But we have noticed that the time for repayment of such loans taken by members of rural societies is frequently extended. We cannot, however, commend this practice. The question will be discussed in its proper place. Loan offices, *e.g.*, the Dhubri Loan Office, do sometimes grant facilities to agriculturists to pay off old debts at a rate of interest which is less than that which the old loans carry. A common way of discharging old debts is to give land in usufructuary mortgage.

47 *Part played by different classes of banks and bankers, money-lenders and landlords.*—We have nothing to add to what we have stated in the section dealing with the "Sources of Loans".

CHAPTER V.

Credit facilities required for purchase of agricultural implements and seeds and other expenses of production, for payment of rent and revenue and living expenses ; and facilities actually existing.

48 In Assam, the cultivator experiences no difficulty in procuring agricultural implements, which are of the simplest possible description. There is no demand for improved implements like the Meston plough and we doubt whether such a plough is required. Occasionally land is broken up by Ford tractors but this is only done by zemindars or by those who farm on a large scale. In such cases loans can be and are given under the Land Improvement Loans Act.

As a rule the cultivator sets apart portion of his crop for seed for the next cultivation season. When, however, the crop is destroyed or when his stock of seed is washed away by the floods he has to purchase. In such cases he can usually obtain an agricultural loan from Government either in the shape of cash or seed. On the whole, he prefers cash so that he may look around and select his own seed. He is more likely to get the seed which suits his own locality and probably at a cheaper rate. He rather distrusts paddy seed supplied by the Agricultural Department especially if it has been brought from another district or subdivision as it may not suit his soil. Sometimes, however, as happened in 1929 in Sylhet, the seed had to be obtained by the Agricultural Department from outside the flooded area. The loans were given partly in the form of seed, partly in cash. There is always a risk that if the loan is given in cash it may be misapplied. To some extent, seed was given through the Agricultural Department to the rural societies which distributed it among their members as short-term loans. We would refer to the evidence of the Superintendent of Agriculture, Surma Valley, who has detailed the procedure. In normal years, the Agricultural Department supplies seeds of improved varieties of jute and paddy and also potato seeds. Previous to 1921-25, this was to some extent done on a credit basis, and the arrangement was that repayment should be made before the end of the financial year. As Government experienced some loss in recovering arrears, the credit system was stopped. The Superintendent has expressed his opinion that the credit sales were beneficial to the cultivator. We recommend that this system be tried again in order to popularise improved varieties giving a larger yield, but we would confine it to those cultivators who cannot pay in ready cash. There is evidence that improved varieties of seeds are popular. The same system might be tried in the case of potato seeds. This witness has testified to the exorbitant terms of mahajans who supply potato seeds. Rural societies where they exist, might be utilised by the Agricultural Department for supplying seeds to members. Owing to the system of paddy loans especially in Sunamganj—the cultivator has to pay exorbitant interest for the paddy seed he borrows. It might be possible to sell seed through the medium of the rural societies in Sunamganj but they are few in number. The Superintendent of Agriculture has stated that it has been difficult for various reasons to popularise artificial manures. The cultivator could use the cow dung from his cattle shed to his great profit but we fear that he finds it too irksome. In the Assam Valley the tea gardens purchase cow-dung from the villages on an extensive scale ; it would pay the cultivator

better to use it himself. The main item in the expenses of production is the purchase of plough cattle and the cultivator has very often to borrow for this purpose from the village money-lender, from a buyer of produce, or from a rural society if he is fortunate enough to have such an institution in his village. We will have something to say about plough-cattle in Chapter XV. In some districts the practice is to hire plough-cattle for the cultivation season on condition that part of the crop is paid as hire. Sometimes neighbours arrange to use each other's cattle in turn. Labour is always required for jute cultivation. Weeding the land and steeping and retting the jute are laborious processes, and high wages have to be paid for such hired labour. The Mymensingh settler utilises part of the advance he takes from the mahajan for this purpose. In Cachar and Sylhet when the paddy crop is heavy, as much as Rs. 25 to 30 a month is paid to a hired labourer for harvesting. In Sunamganj when there is a good *boro* crop, harvesters come from Noakhali and other districts in Bengal and are usually paid by a share of the crop—sometimes as much as one-third. The *boro* crop must be cut in a very short time before the water rises and so it is necessary to remunerate labour liberally to get the work done quickly.

49. We do not think that the average raiyat has to borrow much for payment of land revenue to Government or of rent to a landlord. Sometimes a cultivator gives out his land to another who will take half the crop and pay the land revenue. Another system is to lease out the land on condition that a fixed quantity of paddy will be paid as rent, the owner paying the Government revenue. We have already alluded to the practice of some mauzadars allowing a raiyat to fall into arrears of land revenue and then making him mortgage the land by executing a bond. Many mauzadars are slack and fail to collect the land revenue in time and have themselves to borrow from village or town mahajans to pay into the Treasury on the fixed dates.

In normal year we believe that the average indigenous raiyat, for general living expenses, can carry on with the proceeds of his rice crop. This is particularly the case in the Assam Valley where most of the cultivators store the crop in their granaries and use it throughout the year for food and for making purchase of other articles by selling a portion from time to time. This is also the case in the Surma Valley when there is a good crop. The raiyat in Sunamganj or Habiganj who harvests a bumper *boro* crop might have enough to last for two years. The difficulty, however, is that the cultivator has often to sell a portion of his crop soon after harvest when the price is low to repay old debts or to pay Government revenue. We have already alluded to the predicament in which the raiyat is placed when flood has destroyed his crop. Then he has to borrow from Government or from the village mahajan or most probably from both. The grower of non food crops like jute often does not grow enough paddy for a year's consumption. In a good year the proceeds of his jute crop should be ample for his living expenses till the next crop but we have already pointed out that the Mymensingh settler, if he has a surplus in hand, tends to spend it extravagantly with no thought of the future. The result is that sooner or later he has to take a fresh advance. The cultivator in Sylhet who grows jute makes better use of the proceeds. The Assamese raiyat who gets a good mustard or pulse crop to supplement his rice crop is in a favourable position as he is able to pay the rent of all his lands from

the proceeds but the case is different if he has already taken an advance from the buyer of produce. The raiyat in Sunamganj who has taken a paddy loan is not so fortunate when he gets a bumper crop after one of two indifferent seasons because he will have to repay not only the principal of the loan but probably twice or thrice as much in the shape of interest.

50. In the last twenty years the standard of living has risen throughout the province. We do not think, however, that this has meant that the cultivator has exerted himself more so as to obtain a better yield from the soil, nor has he discovered a more profitable way of disposing of his crops but he is still largely in the hands of the village mahajan, and last of all he has not learned to avoid waste and to practise thrift. For him a higher standard of living means the purchase of finer clothes, journeys in motor-buses and trains instead of on foot like his forefathers, indulgence in cigarette, and the assimilation of luxurious habits, following the example of those who are better able to afford such things. Fortunately for him, the market price of paddy, mustard, pulses, and *guni* has about doubled in the last two decades, but in spite of this we believe that unless the cultivator can be taught to see that a higher standard of living can only be maintained without his getting deeper into debt, by his exerting himself more, by his practising thrift and learning the value of saving, he is likely to become more indebted than at present seeing that the price of the articles he purchases has also doubled. He should realise that honest toil for hire is no disgrace but is both honourable and profitable. We are glad to note that a good many Sylheti Muhammadans in the cold weather do works in tea gardens and also go in the Assam Valley and Cachar in search of work. We might include the cost of marriages and other social or religious ceremonies among living expenses. These form no small item in the family budget. Fortunately, marriages are only occasional events, but when they do come, borrowing has usually to be resorted to. The construction of the purchase of house is not a heavy item of expense for the cultivator as his tastes are usually simple, it is otherwise with the town dweller. Education costs little as primary education is free. Cases are not unknown, however, where a cultivator has had to sell his cattle or other properties or has had to borrow to give an ambitious son a higher education. Too much is spent on litigation, particularly by Muhammadans, and this often means borrowing.

51. *Part played by different classes of banks, bankers, money-lenders and other organisations giving credit*—We have little to add to what has been stated in Chapter IV. We might note that the ordinary money-lender or mahajan does not pay much heed to the purpose of the loan taken. It is enough for him if he sees that the security is good enough and that the interest is suitable from his point of view. Rural societies too are often negligent in satisfying themselves that loans are spent for the purpose for which they are granted and they habitually fail to recall promptly loans which are improperly spent. The system by which cultivators borrow for current needs mainly in the shape of goods on credit from shop-keepers who make entries in the *khata* is, in our opinion, adverse to the true interests of the borrower.

52. *Part played by Government*—We have already stated how the Agricultural Department supplies seeds of improved varieties of crops either directly or through rural societies.

In times of widespread calamities Government relief takes the form of suspension of land revenue in the first place which the Deputy Commissioner is empowered to grant up to a certain limit. If subsequent detailed enquiry shows that remission of revenue is necessary, this is also sanctioned. Moreover, as an act of grace, relief in the form of suspension or remission of revenue may be granted to persons to whom a local calamity has caused losses which rendered them unable to meet the Government demands from their own resources or without great hardship. This is usually done when a petty cultivator has his house burned down.

The usual form of Government aid is, however, loans under the Agriculturists Loans Act or the Land Improvement Loans Act. The working of these Acts will be discussed in the end of Chapter VI.

53 *Rates of interest, period of loans and other conditions*—We would distinguish between loans in cash and loans in the shape of paddy.

The usual rate of interest for a loan from the village mahajan, the indigenous money-lender and the buyer of produce is half an anna per rupee per month or 37 per cent per annum. In the case of an ordinary loan other than for repayment in produce the time of repayment is nominally 3 to 6 months, but so long as the mahajan obtains payment of some interest now and again, and so long as he considers that the security is safe, he will not press for repayment of the principal till it is likely to be time-barred. He has no wish to curtail the period of what he considers a profitable investment. Another way by which the mahajan prolongs the period of the loan is to take a fresh bond for the unpaid principal and interest. All this is very disastrous for the borrower. Sometimes, however, the rate of interest in cash loans is as much as 75 per cent, we have heard of even higher rates. Such rates are most common in cases where the debtor is very ignorant, helpless and unable to protest. He must have the money at any price. It would be useless in Assam for the creditor to sue in the courts for such high rates of interest for he knows that the munsiff would not allow them. But sometimes he is able to induce his client to make over practically all his possessions to him, including his land, which renders it unnecessary to sue him in courts. We have been told that sometimes a greater sum is entered in the bond than what is actually paid. The rate of interest in such cases is usually $37\frac{1}{2}$ per cent. By this means the creditor is able to secure more than $37\frac{1}{2}$ per cent, if we regard the unpaid principal as advance interest. We are satisfied that there is substantial truth in the allegations as to this practice. Though a buyer of produce may in the bond charge interest at $37\frac{1}{2}$ per cent we believe that sometimes the mahajan grants some remission where the borrower adheres to his promise to deliver the crop as soon as it is harvested. It is difficult to ascertain however, what the buyer of produce does realise as principal and interest. He keeps no separate account of what is received under each head and we believe that often the debtor is cheated in weighments and in having deductions made for one reason or another, but it is little use his objecting. He knows he is not likely to obtain loans in future if he proves recalcitrant. The rate of interest largely depends on the amount lent and the nature of security offered. For small sums the interest is often higher than for larger sums. A cultivator who mortgages his land, as security will usually get a loan at a lower rate of interest than one who is only able to give personal security. In the former case the loan is

more or less secured. We have found that sometimes agriculturists' of substance can obtain loans at 18 or 24 per cent, but on the whole, this is exceptional. Some of the well-to-do agriculturists who lend out their spare funds are as exacting as the village mahajan in their rates of interest, especially when land is mortgage, which, if they possibly can, they mean to secure for themselves. There are others, however, who lend at a lower rate, *e.g.*, 24 per cent and who are more considerate to their neighbours than the village mahajan. Muhammadans usually lend out on usufructuary mortgage.

Government loans under the Agriculturists' Loans Act bear $6\frac{1}{4}$ per cent interest and are usually repayable within two years, but sometimes earlier.

Members of rural co-operative societies take loans usually repayable within 3 years at a rate of interest which is usually $15\frac{1}{2}$ or $18\frac{1}{2}$ per cent. Shop-keepers are said either to charge no interest at all on goods taken on credit or at least not more than 12 per cent provided the account is fully paid by the end of the business year. If there is a balance at the end of the year, the customer has frequently to execute a bond or *mazalagbandi* in the *khata* for the amount due at a rate of interest which may run to $37\frac{1}{2}$ per cent though the usual rate is 24 per cent.

A few of the loan offices grant loans to agriculturists. The Dhubri loan office charges 30 per cent to a sub-tenant, but if he pays punctually he would obtain his next loan at 24 to 27 per cent. The Tezpur Industrial Bank lends to agriculturists at 18 to 24 per cent on personal security with mortgage of land as a collateral security. The Nowgong Town Bank also lends to agriculturists—mainly Mymensingh settlers at $37\frac{1}{2}$ per cent.

As to the rate of interest charged by mauzadars we would refer to the evidence of Banu Balachand Karnani of Jorhat who states "some mauzadars take hand notes from defaulting raiyats charging interest at 75 per cent to 150 per cent (1 to 2 annas per rupee per month). To my knowledge, two local mauzadars have such hand-notes to the extent of about a lakh each." Babu Jatindra Chandia Maitra of Tezpur says "almost each mauzadar has a large area of land which he has acquired by lending money to the cultivators though the mauzadars are not solvent. It is often the case that mauzadars convert the accumulated arrear revenue into a loan, make the cultivator execute a bond, and acquire the lands of the defaulter for themselves by suing him in court on the bond." Comment is needless. This is a matter in which Government could usefully intervene.

There are traders and agriculturists who borrow from the Marwaris and buyers of produce and lend out at a higher rate. This practice is not unknown even among members of rural societies who take money from the societies and then lend to other villagers.

Kabulis and some ex-tea-garden-coolies lend at excessive rates up to 150 per cent. We do not know at what rate they actually make recoveries.

54. As regards paddy loans in Sunamganj, Babu Krishna Chandra Datta says "Sunamganj has a popular system of grain loans—a man borrowing before the harvest has to pay double at a harvest (borrowing in Magh,

Falgun or Chaitra—payment in Baisakh or Jaistha) Failing payment in Baisakh, he has to pay 3 times in Agradhayan and 6 times in next Baisakh. In normal seasons, most borrowers pay at harvest. The lenders are local men from all classes of society including zamindars and Muhammadans and again, "I know of an interesting case of a man who lent 2 maunds of rice to a 'Hajong', the borrower could not repay and the accounts went on increasing at the doubling rates mentioned above till after ten years the 'Hajong' was forced to execute a bond of Rs 500 which excluded payments paid from time to time. There are many instances of 'once in debt always in bondage'. When a man takes a loan of grain, he may execute a written bond. In the bond, however, a wrong figure in money is entered, usually such as to cover the price of about double the amount." Rai Sahib Kailas Chandra Das of Sunamganj in his memorandum writes "As to the extent of finance provided annually in kind, it may be hazarded that at a modest computation at least 100 *parlas* (a *parla* is equal to 40 maunds) or 4,000 maunds of paddy are lent out annually at 100 per cent interest not for a year but for a few months. This is an abnormal year, and already such lending operations have begun at 300 per cent interest for paddy which has no stamina or quantitative sufficiency of previous years." We can only hope that this is an exaggeration. The Agricultural Inspector of Sunamganj in his memorandum states "Paddy lending is a very lucrative business here. The poor agriculturists borrow paddy for consumption when their own is exhausted on an assurance that the debts will be repaid along with the interest just after the next harvest (there being two harvests in a year—one in April-May and the other in November-December). The rate of interest is generally 100 per cent per harvest but sometimes the paddy is lent out at 50 per cent to 70 per cent per harvest also, if the quality of the paddy lent is not good. Interest in the case of paddy lending is not simple but compound, the interest being turned into capital if the debt is not cleared just on harvest. During the harvesting season the mahajans are found to be vigorously collecting paddy from their debtors who in their turn hardly hesitate to pay even if the harvest be not a promising one on an impression that if the repayment be not made, the mahajans will hesitate to issue the loans again to them and in the idea that if there be stocks of paddy with their mahajans, they will not starve as their mahajans will lend the paddy again during their need. Hence it is often found that if an agriculturist can once come under the tight clutches of a paddy lender, he is to be under his clutches for years, if not for ever. Comparing the rate of interest obtaining in paddy lending with that obtaining in money lending it is far better for a needy agriculturist to borrow money even at a high rate of interest than to borrow paddy." We have dealt with this subject at some length as it is a blot on Sylhet. We unreservedly condemn the practice and trust that if the lenders of paddy cannot be shamed into substituting something more reasonable, the spread of rural societies and perhaps the establishment of 'grain golas' may help to remedy the evil.—We have evidence that lending in paddy is in vogue in other districts also, e.g., among Mymensingh settlers in Nowgong, but not under the same crushing conditions.

55. *Effect of borrowing on the disposal of produce.*—The cultivator who takes an advance on the understanding that he must repay in crop, labours under the disadvantage that he does not get the fair market

price for his crop. He is also frequently cheated in weighments. In the Assam Valley the *dun* or *doon* is the measure for weighing paddy and mustard. This is what the present Deputy Commissioner of Jorhat wrote at the time of the 1921 census regarding North Lakhimpur —

“Kayas (local name for Marwaris) advance money as a loan one month or two months before harvest on the bargain that *one dun* (of $3\frac{1}{2}$ seers normally) is to be given after harvest over and above the number of *duns* of the current market rate after harvest. But the Kaya's *dun* is not the regular $3\frac{1}{2}$ seers but contains more. It is estimated that his *dun* contains four seers at least. The current price being three *duns* per rupee, the Kaya gets 4 *duns* per rupee from the cultivator who borrowed a rupee two months before harvest. Thus the profit is $\frac{1}{3}$ and one-third per cent for the three months. But instead of getting 14 seers he gets at least 16 seers, so he makes an extra $\frac{1}{4}$ and two-sevenths per cent. He therefore makes $47\frac{1}{2}$ per cent in three months.” Mr Rhodes in one of his notes on the economic condition of four villages in Sibsagar district, deals with the same question. “A *doon* is a wicker basket of which the size varies somewhat, but the standard size contains $3\frac{1}{2}$ seers of paddy. The standard size is known as the ‘Dosh-Kathiya’ *doon* which has a capacity of 5 seers of rice (not paddy). When coolies come (to the market) the villagers measure with their own *doon* and get full value—When the trader comes, he purchases with a *doon* in the same way, but his *doon* is apt to be larger than the standard and he is an expert in manipulating the paddy so as to get more in the basket. The leading trader near Baruk-Barua (the village under survey) told me that he bought with a ‘o-Kathiya *doon* and sold retail with an 8-kathiya’. In actual fact his buying *doon* is probably larger.” Rai Sahib Narayan Chandra Barua of Jorhat who is a practical agriculturist tells us “Telis advance against crops for very short terms, taking the entire crop at much cheaper than bazar rates. If an advance is taken in Aswin or Kartik the produce has to be given generally at half the bazar rate at harvest—no separate interest is charged then.” It may be guessed how heavily this tells on the cultivator. It has special reference to the disposal of the mustard crop. As regards jute, Osman Ali Sarkar of Newgong says that for every maund of 40 seers of jute, the Marwaris take 3 seers extra. This is done with the knowledge of the seller. It is obvious therefore that where advances are taken for repayment in paddy, mustard, or jute, the debtor does not get paid for the actual quantity brought. Another handicap, as we have already stated, is that the cultivator has to sell his crop to the buyer of produce immediately after the harvest when, particularly in the case of paddy, the price is 12 annas or one rupee less than it would be a few months hence. Then again, it often happens that a debtor who has to repay in a food-crop grown by him is unable to retain enough for his own consumption up to the time of the following harvest. The mahajan will bring pressure to bear on his debtor to part with as much as possible of the crop and the latter will probably agree. He knows that if he does not he is not likely to obtain accommodation in future. The result is that the rayat has to take a further advance before next harvest—probably on similar conditions as to repayment in crop. And so the vicious circle continues. The practice of stipulating that the crop must be given at a certain price varies, this is sometimes the case with mustard but not generally with jute.”

56. *Suggestions for providing credit facilities required or improving existing facilities*—We recommend that the Agricultural Department should extend its seed distribution operations both to individuals direct and through rural societies to members. At least, in the case where seeds are distributed through rural societies, credit should be allowed, but the cost should be repayable soon after harvesting the crop. We recognise that the Agricultural Department is not likely to be in a position to supply any large quantity from its own farms but it should take every precaution to ensure that the seeds it purchases from cultivators who are known to grow improved qualities are of the description wanted. It would be unreasonable, however, to expect that the Department should give an absolute guarantee as to purity and freedom from disease, particularly in the case of potatoes—where there is a large demand for seeds, e.g., after floods. We recognise that, at that time, an extra strain is imposed on the Agricultural Department in endeavouring to collect suitable seeds. Where cultivators prefer to purchase their own seeds, agricultural loans in cash should be given freely, and we suggest that these might in some cases be distributed through rural societies. We think that agricultural loans might also be more freely given for the purchase of cattle—a very serious item in the agriculturist's budget—but we will touch on this subject towards the end of next chapter. For finance for general expenses of cultivation in normal times, all we can advocate is that more could be done by rural societies if their working was better supervised so as to ensure that loans are properly distributed and that proper *list* dates are fixed. Apart from some widening in the scope of agricultural loans and the improved working of rural societies, we are unable to suggest any new means of credit which is practicable. In our opinion, it is not feasible to regulate the rates of interest charged by money-lenders or mahajans and we do not think that, in the present stage of rural economy, much benefit would be derived by compelling mahajans to keep better accounts. In the case of the abuses of the paddy-loan-system, we have already made our suggestions.

57. *Co-ordination of credit-agencies*—We consider that there should be more co-ordination between the Agricultural Department and Co-operative Societies. We feel sure that here there is a field for expansion of effort to the benefit of the cultivator. We doubt if it is feasible to link up the village mahajans and buyers of produce with the rural and central banks. We admit that if well-to-do agriculturists and money-lenders could be induced to make deposits in rural societies or in central banks, it would be for the advantage of the agriculturist. At the same time it has to be recognised that it is only human nature for them to lend direct to the agriculturist if they think that this is the more profitable course. We do not consider it probable that Marwaris could be induced to lend to rural societies at some such rate as 9 per cent in the months (say from June to September) when they cannot employ all their funds. It is true that the larger Marwari firms do lend to the village mahajans at this rate, but in addition to the interest they also get commission on the goods they sell on behalf of the village mahajans. Even if the Marwaris could be prevailed upon to make short-term deposits in a Central Co-operative Bank, it is questionable how far the Central Banks would agree. These deposits would certainly have to be repaid at the commence-

ment of the busy season, and it is unlikely that the rural societies which borrow from the Central Banks could repay in time. It might be possible, however, for the Central Banks to open cash-credits with the Imperial Bank through which they might repay the Marwari depositors. We recommend that the matter might be further examined by the Central Banks which might consult the village mahajans, Marwaris and others. We are inclined to think that Marwaris and money-lenders in general know little of the working of the co-operative movement, or at least that they do not fully realise how secure are the Central Banks. At the same time it must be borne in mind that the village mahajan and the village money-lender must, in the present state of things continue to occupy an important—perhaps the most important—part in agricultural finance, and that his main object will always be to make as much profit as he can. It is just possible that Loan Companies may play an increasing part in agricultural finance; in one or two districts, a beginning has been made. Where the security of an agriculturist is sound he might be able to get finance from such loan companies at a cheaper rate than he at present has to pay to the individual money-lender and mahajan. These companies however, are not philanthropic institutions but are run with a view to earning high dividends and the rates of interest from 18½ per cent to 75 per cent per annum prevalent in the numerous loan offices scattered all over the rural areas in Bengal do not point towards their loans being cheap. Most of these loans are given on the mortgage of lands.

CHAPTER VI

*Various items of permanent improvement to land land mortgage Banks :-
Lands Improvement Act and Agriculturists' Loans Act*

58. *Various items of permanent improvement to land*—In the plains districts in Assam very little is done towards the permanent improvement of land beyond the clearing of jungle, mainly grass and cane with occasional trees preliminary to cultivation. In some districts channels are dug for conveying water to the paddy fields. The Cacharis in Mangaldai subdivision in Darrang district and in Kamrup are adepts at this form of irrigation but it involves no cash expenditure as they join together and execute the work themselves. In Sylhet district, channels are sometimes dug to connect low lands with the rivers to convey the silt and so raise the level of the land to make it cultivable. The cultivators usually combine to have the work done themselves or by hired labour but there is sometimes a difficulty in getting landowners to part with the necessary land. Two years ago, the Public Works Department dug an experimental canal in Jaintia in Sylhet, and if this proves successful, it may be the fore-runner of other similar irrigation channels. In various parts of Sylhet, chiefly in Sunamganj, embankments are erected to protect the paddy lands from the inroads of the rivers. This is usually done by zemindars through their tenants. Cultivators frequently cut down the higher portions of their fields and level up the lower lands but this is a petty operation, involving no cash expenditure.

59 *Credit facilities actually existing*—Occasionally Government makes grants under the Lands Improvement Loans Act for the purchase of motor tractors for clearing grass jungle or for improving drainage. The loans are, however, usually given to small zemindars who take an interest in the development of their land, and not to the ordinary agriculturist. Such loans are not numerous. We give the totals for the years 1924-25 to 1928-29 —

				Rs.
Assam Valley	. .	...	...	26,250
Surma Valley	...	...	..	10,500

We know that some of the borrowers have supplemented the Government loan by finance from other quarters. For example, one zemindar took a loan from the Sylhet Land Mortgage Bank. We do not think that the ordinary agriculturist knows much about the Land Improvements Act. Nor is it of much use to him as he rarely wishes to improve his land, and indeed as a rule, no permanent improvement is necessary. We have some doubt as to whether the loans granted are actually used, in whole or in part, for the purpose for which they were given. We think that the Agricultural Department might be consulted both as to the necessity of the loan and as to its application—and that in cases where it is used for other than the purpose specified it should be promptly recal'ed.

60. *Part played by different classes of banks and bankers, money lenders and landlords.*—In this province there is little to say on this point. We are not aware of any indigenous bankers or money lenders having lent money

for the permanent improvement of land. Zemindars in Sylhet have done something in the way of raising embankments out of their own resources. The part played by the Sylhet land mortgage bank is so far insignificant.

61 *Rates of interest, period of loans, and other conditions*—Under the Land Improvement Loans Act, the rate of interest is $6\frac{1}{2}$ per cent the loan is repayable in instalments spread over a certain number of years depending on the circumstances of each particular case, and land or house property has to be mortgaged sufficient to cover the loan. Except as to the rate of interest, which is 10 per cent for loans over Rs 1,000 the Sylhet land mortgage bank imposes similar conditions as to periods of repayment and as to mortgage of landed property.

62 *Credit facilities required*—We hardly think that further credit facilities are required beyond what are already provided by the Land Improvement Loans Act and the land mortgage banks. In view of the fact that the existing land mortgage banks in the province confine their operations mainly to loans for the repayment of old debts, it would be premature to suggest that part of the allotment under the Land Improvement Loans Act should be placed at the disposal of the land mortgage banks. We consider that the excavation of channels to introduce silt from the rivers in Sylhet deserves encouragement. We suggest that one or more officers with suitable subordinates should investigate the possibilities of small irrigation works, and should approach the cultivator and instruct him as to what projects would be feasible. For practical schemes, loans might be given under the Land Improvement Loans Act to a group of interested raiyats. The question of the necessity for embankments in Assam is a vexed one and we think that no general principles can be laid down. Several witnesses especially in the Assam Valley, have pointed out that owing to the custom of letting loose the cattle to graze after the paddy is harvested, it is not practicable to grow cold weather crops which would inevitably be damaged by the cattle. It might be possible to get over this difficulty by some system of permanent fencing. Opinions differ as to the practicability of this remedy but we think that if any well-considered scheme is brought forward in any particular case, it might suitably be financed under the Land Improvement Loans Act.

63 *Scope of land mortgage banks and other agricultural credit banks - experience of banks already started*—The Kamrup land mortgage bank was started at Gauhati in the second half of 1926. The next bank began operations in Sylhet in 1927 under the designation of the Sylhet Land Mortgage Bank. Banks in Jorhat and Nowgong were registered in July 1928 and May 1929 respectively. The fifth bank is the Surma Valley Moslem Co-operative Land Mortgage Bank with headquarters at Sylhet which was registered only in February 1930. The first two banks have made substantial progress the work done by the others is practically nil. The objects of all the banks are practically identical, viz, (a) the creation of funds to be lent to members on mortgage security, for—

- (1) the redemption of land and houses previously mortgaged,
- (2) the improvement of land and methods of cultivation,

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- (3) the liquidation of old debts,
- (4) the purchase of land in special cases,
- (5) the construction of dwelling houses,
- (6) the sinking and repair of wells and excavation of tanks, etc.,
- (7) the purchase of agricultural and manufacturing implements and machinery.

(4) Other measures designed to encourage in the members the spirit and practice of thrift, mutual help and self help. The Kamrup land mortgage bank also provides for loans for purposes of trade, commerce or the promotion of any industry. The Nowgong bank has loans for the development of any industry as one of the objects. Membership of the Kamrup bank is confined to those who own landed property in the district of Kamrup. Similarly members of the Sylhet and Nowgong banks must own land in their respective districts. In the case of the Jorhat bank, though under the bye-laws the area of its operations is the whole of Sibsagar district, there does not appear to be any bye-law that a member must own land in the district. A bye-law of the Surma Valley Moslem Co-operative Bank prescribes that a member must hold or own property in the Surma Valley, i.e., in the districts of Sylhet or Cachar. All the banks are registered under the Co-operative Societies Act and are of limited liability. Each member must take up at least one ten-rupee share and no member can take more than 1,000 shares. The Kamrup bank's nominal share capital is Rs 1,00,000 of which three fourths is to be called up, the balance being reserved liability. The share money of a borrower shall not be less than one-twentieth of the loan taken. The nominal share capital of the Sylhet land mortgage bank is five lakhs, but only half is to be called up. There is a similar restriction as in the Kamrup bank as to the amount of loan which can be granted. The bye-laws of the Jorhat bank are similar to those of Sylhet. In Nowgong the maximum share capital for 1929 is fixed at Rs 20,000. The share money of a member must not be less than one-tenth of the loan, and half the value of the shares is reserved liability. In the case of Surma Valley Moslem land mortgage bank, the nominal capital is two lakhs in ten-rupee shares, half the share value being reserved liability. The bye-laws provide that the maximum loan to be granted to a member shall be fixed at the annual meeting of members, but the loan is not to exceed 20 times the paid-up share money of any member.

64 On our committee we have the Chairmen of the Kamrup and Sylhet land mortgage banks and so have had the advantage of learning at first hand of the practical working of these two banks. Loans have been given mainly for the purpose of repayment of old debts and redemption of mortgages. The Sylhet bank gave at least one loan for the improvement of land, the Kamrup bank has given none for this purpose though it is prepared to do so. At the start, the Sylhet bank granted its loan chiefly to zemindars and middle class gentlemen. The Registrar of Co-operative Societies in his last report gives the following statement for the 47 loans issued by that bank

Statement for the 47 loans issued by that bank in 1928-29 —

Occupation of borrowers	Number of loans	Amount
		Rs
Zemindars	20	85,000
Professor	1	3,000
Extra Assistant Commissioner	1	1,375
Sub-Deputy Collector	1	500
Professor and Tea-planter	1	6,200
Other Government servants	4	3,800
Merchants	3	8,000
Pleaders and Mukhtears	4	7,400
Mirashdars	2	1,200
Petty landholders	10	6,350

The Registrar remarks that a very small proportion of the working capital of the land mortgage banks has gone to *bona fide* agriculturists. His concluding observation is "Moreover I have reasons to think that loans have been granted to people who are past all hopes of redemption." At the time of our examination of the books of the Kamrup bank the borrowers were classified as follows —

Occupation of borrowers	Number of loans	Amount
		Rs
Government servants	14	20,401
Mauzadars	3	9,600
Merchants	3	3,200
Cultivators	88	60,995
Landholders (especially Brahmin and Kayasthas)	93	1,07,009
		<hr/> 2,01,206

It is only fair, however, to point out that land mortgage banks are new institutions in this province and that the promoters had no precedents to guide them. The predecessor of the present Registrar had expressed the opinion to the Kamrup bank that the minimum loan should be

Rs 1,000 and so there was an impression that the loans were more suited for petty zemindars than for ordinary agriculturists. The Directors of both the banks have since changed their policy and preference is now given to applications from ordinary agriculturists. We are all agreed that this is the proper policy to adopt. At the same time, we recognise that many small zemindars and rent-receiving mirashdars are in debt, and that it is desirable that relief should be given to them. We are of opinion, however, that this is not the task of the ordinary land mortgage bank but rather of zemindar's banks, perhaps of the type to be found in the Bombay Presidency. Until such banks are started, the existing land mortgage banks may perhaps give some relief to small landholders in deserving cases.

65 The next point to be considered is what should be the area of operation of land mortgage banks. We all agree that the area should not be larger than what is consistent with efficient management. We would not attempt to lay down the area in terms of any particular administrative unit such as a district, subdivision or thana. There are so many factors to consider—the simplicity or otherwise of the system of land tenure, the absence or existence of a record-of-rights, properly maintained; the density of population; the state of communications because on this depends largely the ability of the bank officials to move about to make enquiries, and the qualifications of the Managing Directors, *e.g.*, whether they have an intimate knowledge of the rural area.

The Sylhet land mortgage bank, to start with, granted loans all over the district which comprises five subdivisions and has a population, of a little short of three millions. Experience has shown the necessity of restricting its work to the Sadr subdivision excluding the temporarily-settled Jaintia parganas. The area of Sylhet district is 5,388 square miles and of the Sadr subdivision, excluding Jaintia, 578 square miles. The population of the district in 1921 was 2,541,341, that of the Sadr subdivision, excluding Jaintia, was 4,08,077, the majority of the people being Muhammadans. The area of Kamrup district is 3,863 square miles with a population of 7,62,671 in 1921. The Kamrup Bank originally took the whole district as the sphere of its work, its operations are now confined to the area between Tihu and Rangia, covering about 150 square miles. In the Sylhet permanently-settled area there is no record-of-rights, except for some 89 square miles (and this is not kept up to-date). In Gauhati, the land is temporarily-settled and the records are regularly maintained. We would not be surprised if experience shows that the areas should be still further contracted. The Jorhat bank, though intended for the whole district, meanwhile means to deal only with the Sadr subdivision. The Nowgong bank has hardly started work. The area of operations of the recently started Surma Valley Moslem bank is the districts of Sylhet and Cachar.

66 Next we have to consider the objects for which loans should be granted. We are of opinion that for the present the redemption of lands from mortgage and the repayment of old debts must be the main objects. It is obvious that it is in the interest of the cultivator that his lands should revert to his possession, incidentally, this would afford him the means of repaying from the crops the loan from the land mortgage banks. We would deprecate any attempt, however, to give loans for repayment of debts.

to any one who was hopelessly involved and from whom it was useless to expect regular repayment. For such the only remedy would seem to be for him to sell off part of his property to clear his debts or to file a petition of insolvency. It would be most imprudent and would impair the existence of any land mortgage bank to tackle such cases. We are of opinion that the promotion of cottage industries by the grant of loans is not the proper function of land mortgage banks nor do we think loans should be given for trade or commerce. The latter is the business of loan companies or of money lenders. Besides, land mortgage banks will have no difficulty in utilising all their finance for the repayment of the debts of agriculturists and for the redemption of mortgages. Loans for the purchase of land should be granted only in exceptional cases. There may be two or three co-sharers in certain lands, one co-sharer may wish to sell his share and another co-sharer may wish to buy it and may want a loan for the purpose. Again, owing to the growth of his family, or for other similar reasons, a person may wish to purchase additional land. We see no great objection in granting loans for such purposes, but this should be the exception and should not deflect the bank from its primary function of clearing debt.

67. The question of the finance of land mortgage banks in Assam is a perplexing one. Government granted a loan of Rs. 30,000 to the Kamrup bank in 1927 which was supplemented by a further loan of Rs. 10,000 in the following year. No repayment of the principal was required in the first three years, but interest at 6 per cent had to be paid annually. In case of over dues of the Government loan, penal interest at 8 per cent could be demanded. The Sylhet bank received in two instalments a loan of Rs. 30,000 on similar terms. The Government made it a condition in the case of both that the amount of loan granted should not exceed the amount of paid up capital.

It may be of interest to note on the working of the Kamrup bank. In February last, the working capital was made up as follows —

	Rs.	a	p.
Paid up share capital	44,890	0	0
Members' deposits (voluntary)	39,834	6	0
Non-members' deposits ..	78,872	10	0
Deposits from other Co-operative Banks .	1,000	0	0
Government loan ..	40,000	0	0
Compulsory deposits from members .	3,070	0	0
Total ...	2,07,667	0	0

There was a Reserve Fund of Rs. 2,760 which was invested in the Imperial Bank and in shares of the Provincial Bank. Deposits are taken for a period of 1, 2 or 3 years, with rates of interest at $6\frac{1}{4}$, 7 and $7\frac{1}{2}$ per cent respectively. Most of the deposits are from the middle classes. As regards compulsory deposits, one of the bye-laws laid down that each member should pay a compulsory deposit of one rupee per month so long as he was a member, the managing committee had power to relax the rule. Such deposits were to be deposited in the Post Office Savings Banks and were not to be available for granting loans but were to be utilised as fluid

resource in an emergency. Experience showed that, as the business of the bank extended, it was not practicable to realise such deposits from rural members and realisation is at present confined to town members. Altogether Rs 2,08,204 has been issued in loans, the minimum period of issue being 2 years and the maximum 10 years, for advances of Rs 1,000 or over the normal period is 10 years. The maximum loan actually granted to an individual is Rs 4,000 and the minimum Rs. 200, the minimum at present has been fixed at Rs 500. The rate of interest on loans is 10 per cent for sums over Rs 1,000 and $10\frac{1}{2}$ per cent for smaller amounts. The overdues from members for the ten months ending 30th January 1930 were principal Rs 9,048, interest Rs 6,791. A dividend of $6\frac{1}{4}$ per cent was declared for 1927-28 and 10 per cent for 1928-29. There are 397 members, two of whom have subscribed Rs 10,000 each of which three-fourths has been paid up. The reasons given for the overdues were that at the outset 30 loans were given to town members many of whom are the bank's worst defaulters (at present loans are given only to rural members) that in the beginning repayment dates were not fixed to suit the convenience of agriculturists, and that at the present time, the price of paddy is so low that agriculturist borrowers are holding on for a rise in the market.

68 We have selected the Kamrup bank to illustrate our remarks because it is the first bank of its kind to be started and affords an excellent illustration of the practical difficulties in the working of land mortgage banks, and because we know that any helpful criticism will be welcomed. The Directors deserve credit for the way in which they have realised the difficulties and in which they have tried to find a remedy. The amount of deposits forthcoming in the early stages of the bank's work is gratifying. At the same time we need hardly emphasise that when loans are given for terms of, say 7 or 8 years on an average, three years, deposits are hardly the best means of financing the loans. We have a little doubt that if depositors retain their confidence in the bank, most of the deposits will probably be renewed for further terms. But it is not safe to take this for granted. There are local banks which are offering a higher rate for deposits. At the same time, in land mortgage banks, as co-operative institutions, we would lay stress on the importance of members' deposits. Experience shows that members are, as a rule, very considerate in selecting a time for withdrawal of their deposits which will cause the minimum of inconvenience. These deposits also indicate thrift on the part of the members. For this reason, we would not discourage such deposits even if they are only for two or three years. The Kamrup bank pays $7\frac{1}{2}$ per cent on 3 years—deposits the lending rate in both the Kamrup and Sylhet banks is 10 and $10\frac{1}{2}$ per cent. One drawback about deposits for more than 3 years is that a higher rate of interest has usually to be paid but this rate cannot be raised beyond a certain point if the bank's lending rate is to be moderate. In the Sylhet land mortgage bank most of the deposits are for 5 years at $8\frac{1}{2}$ per cent while deposits for 3 and 4 years are also accepted at 8 and $8\frac{1}{4}$ per cent. Where land mortgage banks depend for their finance largely on deposits, it is essential to keep a wide enough margin between the borrowing and the lending rate. When deposits are accepted from members and non-members, a land mortgage bank ought to make ample provision for fluid resources and the reserve fund should be invested outside the bank. It may be prudent also to stipulate that depositors must give notice of two or three months of the intention to

withdraw their deposits, even though the deposits may have been for a definite period, *e.g.*, three years. This would enable the bank to arrange in time for repayment.

As alternatives to finance by deposits, there are three courses available—additions to the paid up capital, further loans from Government and debentures. We have already stated that each bank has share capital and we consider that a reasonable total of share money is essential to reassure the investing public. We think that the shareholders are justified in expecting a fair dividend for their investment. But the rate of dividend should be restricted until an adequate reserve fund is created. As a co-operative bank, the land mortgage banks cannot pay a dividend in excess of 12½ per cent without the sanction of the Registrar. The bye-laws of both banks provide that no member shall have the right to demand a refund of the share capital paid up by him, but the Managing Committee has the power to sanction a refund within the limits fixed by the general meeting which has every year to fix the maximum and minimum share capital for the following year. If the share capital is increased beyond a certain point, the shares may become less attractive as the amount available for dividend payment will have to be distributed over a larger number of shares. The result might be that the public would be less willing to take up shares and existing shareholders might press for withdrawal of their shares. There is therefore a limit to the financing of the banks by the issue of further shares. The two banks have not fully called up the subscribed capital. In both cases a proportion has been treated as reserve liability. Perhaps it would not be wise to call up this balance. The MacLagan Committee report states in paragraph 121 that “all shares held by individuals should in our opinion be fully paid up and we deprecate the use of reserve liability in the case of such shares. The idea of reserve liability is based on English practice and is not well adapted to the circumstances of the banks which we are considering. We understand that very few good Joint Stock Banks in India refrain from calling up the full amount of their share capital. We hold that reserve liability, if regarded as an additional security to the bank, is liable in this country to prove misleading and that great difficulty may be experienced in collecting the uncalled portions of shares, when they are required, owing to the fact that shareholders are generally scattered and to the delay and expense attending civil suits.” These observations were made in connection with shares held in Central Banks. Co-operative land mortgage banks in India had not yet been started. We think that it is desirable that shares in such banks should not be fully paid up but should carry a reserve liability for the protection of the depositors.

69 As for loans from Government, we acknowledge the assistance already given by loans to the Kamrup and Sylhet banks. The only suggestions we wish to make as regards the loans already given is that no repayment of the principal should be required in the first five years and that the period for repayment should be doubled. The minimum period of the loans granted by the Kamrup bank is 5 years. It is true that repayment of principal by borrowers is expected yearly but in the initial stages of the bank's working, we consider it not unreasonable that the additional concession of modifying the period of repayment should be accorded. The question of debentures will be dealt with separately but we may anticipate our recommendations under this head by saying that we think that in Assam the time is not ripe for issuing debentures for land mortgage banks. In

these circumstances, we are of opinion that Government should assist still further by granting loans to banks which have already shown promise of sound working and we think that this would apply to the Kamrup and the Sylhet land mortgage banks. As to what additional loans should be given this is a matter which should be decided after consultation between Government, the Registrar of Co-operative Societies and the banks. Perhaps the amount of deposits from members might form a basis for consideration. The Royal Commission on Agriculture has recommended that 'If funds from State resources are needed, a simple loan offers the most suitable means of providing them.' We endorse the recommendation and would point to the example of the Punjab Government in giving liberal loans to the land mortgage banks. The loans already granted to the Kamrup and Sylhet banks were in proportion to the share capital paid up. We do not think it necessary to insist on this condition in the case of the additional loans, though we admit that the principle is sound enough, at least, when the bank is first floated, and indeed we would recommend that Rs. 20,000 or Rs. 30,000 share capital should be paid up before an initial Government loan to any other land mortgage bank is granted. In the subsequent stages, however, there must in Assam be considerable difficulty in finding additional capital for land mortgage banks, the province has few wealthy men and again the whole idea of land mortgage banks is new to Assam. But, if properly managed, we think they will be a great asset for the repayment of old debts or redemption of mortgages—in fact the only debt-clearing agency which is likely to benefit the cultivator, except in so far as rural societies are in a position to grant loans to clear off petty debts. For these reasons we think that Government, in the case of the two banks we are dealing with, should grant further financial assistance by loans on easy terms. We are inclined to recommend that these loans should be given direct to the banks and not through the Provincial Bank whose Directors have little business or banking experience and possess no knowledge of the working of land mortgage banks. Besides, if the loans are given through the Provincial Bank, they would probably bear a higher rate of interest than if given direct.

70 In the Kamrup Bank the overdues of both principal and interest are heavy. The Sylhet Bank similarly has overdues. We would insist that all unauthorised arrears (i.e. where extension of time for repayment has not been formally granted) should be realised before Government gave any further loans. The business of a land mortgage bank entails considerable risk largely because of the nature of its business in clearing off old debts and redeeming mortgages. The loans it gives are rarely for productive purposes, as might be the case if they were given for purposes of land improvement. Therefore, the bank can never be too careful in satisfying itself, before a loan is granted, that the borrower will be able not only to repay but to repay punctually. The Kamrup Bank, especially in the case of town borrowers, has had experience of debtors who have failed to repay. It has also, among its clientele, rural borrowers who fail to repay punctually—in some cases, apparently, because the kist dates were not fixed to suit the borrowers' ability to pay. This last defect is being remedied. We note that in Kamrup and Sylhet banks, although there is no provision for penal interest, one of the bye-laws lays down that interest at the rate of 12½ per cent shall be levied on overdues until they are paid. We invite atten-

tion to this salutary provision and hope that it will be enforced. From the very start, a land mortgage bank must insist with the utmost strictness on punctual repayments and should not hesitate to take prompt steps for realisation. In the Report of the working of Co-operative Societies in the Punjab for the year ending 31st July 1928 we read 'But for Jhang there would have been only sixty defaults. Eighteen of these have been proceeded against, and eight put in jail. This may seem harsh, but strictness in recovery is essential to the success of a mortgage bank, and, as pointed out by the Lidlithgow Commission "this feature cannot be omitted or softened."

71. Then again, we think it is the duty of land mortgage banks to make every endeavour to build up, as early as possible, a substantial reserve fund. Under the bye-laws of both banks, not less than 25 per cent of the net profits has to be carried to the credit of the reserve fund, which shall be invested outside the bank. We do not propose any alteration in this bye-law which allows a discretion to place more than 25 per cent to the reserve. We are, however, of opinion that this discretion should be freely used. As regards dividends, this is primarily a matter for the annual general meeting. The Kamrup bank bye-law is that the dividend declared shall not be distributed until it is approved of by the Registrar. The Sylhet bank bye-laws do not contain any such provision. We note that the Kamrup Bank declared a dividend of 6½ per cent for 1927-28 and 10 per cent for 1928-29. It would, in our opinion, not be wise to increase the rate of dividend any further for many years to come. The Sylhet Bank for 1928-29 made a net profit of Rs. 503 but this was credited to the Reserve Fund, no dividend being paid. The stability of the bank must be the primary consideration, and as the land mortgage banks in Assam are all registered under the Co-operative Societies Act with the primary object of promoting the economic interests of their members which in this case means the clearing of old debts and the redemption of mortgages, the earning of dividends must take a second place. Only if this is recognised and observed, can loans from Government resources be justified. If the principles we have enunciated and the conditions to be fulfilled before further Government loans can be granted appear to be stringent, it is because, in our opinion, they are a *sine qua non* for the successful working of the banks.

72. One difficulty experienced by both the Kamrup and the Sylhet banks is the investigation of the title of the land given in mortgage. In Sylhet, as we have pointed out in a previous chapter, there is practically no record of rights for that district and, only by local enquiry, can the title which the would-be borrower holds in the land be ascertained. The fact that an estate in Sylhet may have numerous co-sharers—especially, in the case of Muhammadans—complicates matters still further. Until there is a record of rights, properly maintained, this difficulty in ascertaining title must continue. In the case of the Kamrup bank, which has to deal with temporarily-settled land, the land records are tolerably accurate and kept up to date, but many leases bear the name of one or two persons though, as a matter of fact, there may be other co-sharers. In the case of leases in the names of two or more persons, there is no specification of the share of each. It is desirable that these defects should be removed and we would recommend that Government should consider how far it is feasible to do so. We have in chapter II observed that in Sylhet although the law provides

for the acquisition of occupancy rights, there is no legal enactment providing for the transfer of such rights by mortgage or otherwise. Similarly we have pointed out that in temporarily-settled areas in Assam, a sub-tenant holding land under a Government lease holder has no occupancy rights. Further, in the Assam Valley, there is in certain leases a clause disallowing the transfer of land to a non-agriculturist without the permission of the Deputy Commissioner. It is obvious that all these defects render the working of land mortgage banks more difficult—or to look at it from another point of view—sometimes stand in the way of the bank helping those who require assistance for clearing their debts. The matter will be further discussed in chapter XII. Besides enquiring into title, the banks have also to ascertain whether the lands are already mortgaged or are free of encumbrance. The bye laws of both banks lay down that loans are to be granted only on a first mortgage and that no loan shall be granted on a second or a subsequent mortgage, and further that the loan shall not exceed 50 per cent of the estimated market value of the land according to the valuation made by the Board of Directors. It is obvious that enquiries from the Registration Offices as to pre-existing mortgages on an estate, must be tedious, if they are to be thorough. We recommend that every facility for search should be afforded by the Registration Department.

72 Another important question is what should be the maximum and minimum loan. In both banks, no loan can be given exceeding 20 times the paid-up share money of the borrower, nor exceeding 50 per cent of the market value of the land. It is also laid down that no loan to a single member shall ordinarily exceed Rs 10,000, provided that the general meeting may, by a resolution, increase or decrease this amount. With a maximum like Rs 10,000, it is the large landholder and not the small agriculturist who would benefit. For a bank with a comparatively small capital, it would be unsound to make large individual loans; it is much safer for the bank to disburse its resources in a number of small loans and not to have all its eggs in one basket. Besides, the small agriculturist will reap the benefit and in greater numbers. The Sylhet Bank in 1928-29 granted three loans each of Rs 10,000 and in 1929-30 one loan of Rs 6,200. For 1930-31, the maximum loan has been fixed at Rs 2,500. After careful consideration we are of opinion that, meantime, until the land mortgage banks in Assam have more experience the maximum loan should not exceed Rs 2,500. Later, the limit might be raised to Rs 5,000. It is more difficult to fix a minimum. Many rural societies grant loans of Rs 200 or thereabout to repay old debts. We do not consider that this is the ideal form of utilising the funds of a rural bank but in the present state of indebtedness and with the object of converting a debt bearing a high rate of interest into one on more favourable terms, we believe that such loans must continue to be given. It would be a mistake for the land mortgage banks to usurp in any way the functions of rural societies. For this reason, we think that Rs 300 might suitably be fixed as the minimum loan from a land mortgage bank. It may be argued that the proportion of agriculturists in Assam who are members of rural societies is low, and that it would be unfair to prohibit a land mortgage bank from giving smaller loans than Rs 300 to those who are not members of rural societies. We recognise that there is some force in the argument but the solution, in our opinion, lies in the expansion of rural societies, and not in the widening of the scope of the land mortgage bank in the direction of giving petty loans.

74 The practice in the Kamrup and Sylhet banks is to take simple mortgages. We are of opinion that this is the form of mortgage most suitable to the banks at least in their early stages. We do not favour the form of a conditional mortgage whereby if the loan is not repaid within a specific period, the creditor bank would have power to foreclose. This form of mortgage might be too harsh in operation and might have the effect of dissuading members from joining the bank. Moreover, land mortgage banks wish to avoid having landed property on their hands. They have no desire to become zemindary companies as has been predicted by more than one witness. Nor do they have the staff or the time to look after the administration of landed property. We admit that the matter of remedy against defaulters is not free from difficulties. As the existing banks in Assam are registered under the Co-operative Societies Act, they can resort to arbitration procedure and obtain an award which has then to be executed through the Civil Court. We do not think it necessary that the Registrar should have the power to hold sales without recourse to the Civil Court. The bank might not benefit by this and the debtor might also lose. If any abuse crept into this form of sale, the bank would probably fall into dispute. On the whole, we do not feel the need of any special legislation to enforce prompt recovery till, at least, experience has been gained of the working of the present law.

75 The suggestion has been made in another province that land mortgage banks should not grant loans to individuals but to a rural society on the mortgage of lands collectively. We hardly think that the time is ripe for this. Quite apart from the question of the practicability of this proposal, there would be a danger of mixing up long-term loans from the land mortgage bank with short-term loans from the societies. We are also doubtful if members of rural societies would accept collective responsibility for each other's long-term loans. It might, however, be possible for the land mortgage bank to grant two or three loans on joint mortgage security to individuals who know each other. This would afford additional security to the bank.

76. The next point is as to the period for which loans are given. The bye-laws lay down that in no case must the period exceed twenty years. Much would depend on the amount of the loan and the period within which the borrower can reasonably be expected to pay. The average period of loans at present is about 7 or 8 years. No hard and fast rules can be laid down, each case must be decided on its merits. In the case of an agriculturist who means to repay out of the proceeds of his staple crop, we would emphasise the necessity of fixing the lists accordingly. The Kamrup Bank tried the system of equated payments. This was found to lead to confusion when defaults occurred. It was also puzzling to the borrowers. The bank has therefore abandoned payment by equated instalments. The Sylhet Bank has not tried the system of equated payments of principal and interest. We suggest that a borrower should be afforded an opportunity of himself proposing the period within which the loan will be paid off and the instalments by which he would prefer to pay. It will then be for the Directors to decide whether they will accept the proposition.

77. *Suggestions for expansion*—We recognise that the five land mortgage banks which are registered in Assam can only deal with a small fraction of the indebtedness of the agriculturists in the province. We consider that each bank must confine its operations to a comparatively small manageable area. The ideal may possibly be that there should be banks for each *thana* jurisdiction or for some other definite administrative area. But those institutions are, at present, in those provinces of India where they are established, in the experimental stage. In Assam, at any rate, they are more or less unknown to the man in the street. Before progress can be made and before any policy of extension or development can be undertaken, it is necessary that the present banks should justify their existence, both by demonstrating their utility to the indebted agriculturist and by inspiring confidence in the public so that it may be induced to invest its money in them. If any one of the existing banks becomes discredited owing to unsound management, for example by granting loans on inadequate or defective security, by failing to take prompt action against defaulters, or by neglecting to accumulate an adequate reserve fund, the result will be to imperil not only its own existence, but that of other land mortgage banks. In those circumstances, we think that it would be premature to hope that for some time to come financial aid—whether in the shape of share capital, Government loans, or debentures or deposits—will be forthcoming to establish more banks. For this reason, we suggest that expansion should lie not in the direction of the registration of further land mortgage banks though we recognise that there is a wide field for them but in the firm establishment of the existing banks on sound banking principles. And in this connection we would emphasise two points. The first is that the bank should hold itself responsible for seeing that the loan is applied solely for the purpose for which it is given. The bye-laws of Kamrup and Sylhet banks provide that in the case of misapplication of loan, the bank may at once take steps for its prompt recovery. We hope that this will not become a dead letter, in fact, we would prefer to have this made mandatory rather than permissive. The bye-laws also provide that where the loan is applied to redeem an existing mortgage, the previous mortgage deed and the receipt of redemption shall be made over to the bank by the borrower. This should be insisted on. The second point—and it cannot be too strongly emphasised—is that the bank must insist on punctual payments and have no hesitation in setting the law in motion in cases where executive pressure by the Directors is of no avail. The ordinary agriculturist will be only too ready to seize at the opportunity of repaying his old debts from a loan bearing a reasonable rate of interest but he is ignorant and his moral development is not such as to make it a point of honour with him to fulfil his promise to make punctual repayments to an impersonal institution like a bank. He is more likely to repay the money lender who can bully and coerce him and whom, in the anticipation of future favours, he cannot afford to displease. Again the borrower's title to the land he mortgages may be clear beyond dispute, but unless he is in a position and is willing to make punctual repayments it is, in our opinion, useless to grant him a loan. It is true that the bank has his land as security, but no land mortgage bank wants to have this on its hands, and it is the very negation of co-operative principles that the land of the borrower should be sold by the bank, that he should become landless, and should have failed to imbibe

the principles of hard work and thrift so that he might repay the bank at regular intervals. We admit that in what we have said, we may have repeated ourselves more than once, but we think that the importance of the matter is a sufficient apology.

78 We would add few words on the other three banks which have been registered. The Jorhat land mortgage bank was registered in July 1928 with a nominal capital of one lakh. We examined the Chairman in December 1930 and were informed that the paid up capital was only Rs 2,300 with the addition of Rs 700 in deposits for a term of 2 years at $8\frac{1}{2}$ per cent. There were only 29 share holders each of whom had paid one third of the value of the share. Two loans each of Rs 1,000 for 5 years at 10 per cent were issued in the first half of 1929 one for business purposes and the other for "cultivation and repayment of loans." The Chairman in his evidence states that the intention of the bank is to give loans not only to agriculturists but to others. He admits that people are not coming forward with deposits, partly owing to the existence of party feeling. Application was made for a loan from Government and the Chairman says that this help is necessary to inspire public confidence. We think that the progress of the bank is most disappointing. Financially, it seems to be unsound to grant—and that at an early stage—Rs 2,000 in loans repayable in five years. The margin between the rate of borrowing and that of lending seems entirely inadequate. The Kamrup and Sylhet banks have shown an excellent example in securing considerable local capital before a Government loan was applied for. We can only advise the Jorhat Bank to do likewise.

The Nowgong land mortgage bank was registered in May 1929. The maximum nominal share capital for 1929 was fixed at Rs 20,000. Half the value of the ten-rupee shares is to be called up. We examined the Secretary in January last when there were 206 members and 1,124 shares had been subscribed. No deposits had been received up to date. Rupees 2,000 had been issued in 16 loans at the rate of $12\frac{1}{2}$ per cent to be repaid in 2 or 3 years. The progress of the bank, in enlisted public sympathy, seems to have been more rapid than in the case of Jorhat. We note that 8 loans were for the purchase of cattle. The Secretary states that the understanding is that no loan under Rs 100 should be granted. We hardly think that loans for the purchase of cattle should be one of the objects of a land mortgage bank and are of opinion, that the bank should avoid giving loans of such small amounts. As regards a loan from Government, we would tender the same advice as in the case of Jorhat.

The Surma Valley land mortgage bank has not yet started operations.

We think that it would be instructive if land mortgage banks ascertained how far these borrowers whose lands had been redeemed from mortgage or whose old debts had been paid up by loans from these banks managed to keep out of debt in subsequent years. We hope that the result will be found to be better than in the case of some Court of Ward's Estates which after having been freed from debts under Government management, lapse again into a state of worse indebtedness,

79. *Need and form of Government assistance* — Our main recommendation, as we have already explained, is that Government should render assistance by giving loans on easy terms of interest, to be paid back in twenty years, repayment of the principal starting from the sixth year. Initial loans should be on condition that a reasonable amount of share capital is paid up. Further loans to the Kamrup and Sylhet banks should only be given if Government is satisfied that the unauthorised arrears do not exceed 15 per cent on the outstandings, and that an attempt is being made to build up an adequate reserve.

Exemption from stamp duties and registration fees is already granted. Fees have at present to be paid to the collectorate department for searching the registers for information as to title and to the Registration Office for ascertaining the existence of any pre-existing encumbrance. We are not sure if it is feasible for an officer of the bank to make the necessary searches under the supervision of the departmental clerk concerned, if not, we suggest that the searching fees might be remitted or reduced. At present, they are realised from the applicant for a loan who has also to pay the local enquiry fee and the legal adviser's fee.

The Royal Commission on Agriculture in India recommended that in the initial stages, Government should make a contribution towards the cost of valuation of the mortgaged property. The Kamrup and Sylhet banks are fortunate in having on their Managing Committee several pleaders, so there is not much difficulty in advising as to the legal ownership of the land but valuation is a troublesome business, involving journeys to rural areas and a thorough examination of the land which is to be mortgaged. The pay of a reliable valuer would be about Rs. 100 and we recommend that, at any rate, for some years to come, Government should contribute towards his pay. The valuer should also enquire into the repaying capacity of the borrower. It would be unfair to saddle Government with the responsibility of making the valuations, that is the business of the bank, and for this reason the Government contribution should take the form of a grant and not of the deputation of a Government servant.

In return for the assistance given by Government in loans and in a contribution towards the valuer's pay, Government should have a representative on the Board of Directors. This is already the case in the Sylhet Bank and the Kamrup Bank would welcome a representative of Government.

80. *Issue of debenture bonds for financing land mortgage banks* — We have carefully considered whether debentures should be issued for financing land mortgage banks in Assam. We admit that the flotation of debentures is probably the best means of financing such banks, but are of opinion, that at the present stage of development, it would be premature to adopt this method. The only precedent we can trace in Assam for the issue of debentures, in connection with the co-operative movement, was the issue of short-term debentures by the Pioneer Bank from 1909 to 1921. The main business of the Pioneer Bank was to finance rural societies at a time when Eastern Bengal formed part of the province. These operations continued for some years after Assam was made a separate province. The establishment of the Provincial Bank in 1922, as the agency for financing

central banks was detrimental to the Pioneer Bank which dragged a lingering existence until it was sent into liquidation in 1927-28. Some rural societies in Eastern Bengal were at that time indebted to the bank to the extent of Rs 12,000. Negotiable debenture bonds were first issued by the bank in 1907-10 in the form of fifty-rupee bonds bearing interest at $6\frac{1}{4}$ per cent. They were redeemable in 5 years. Before long, the interest was raised for a time to $7\frac{1}{2}$ per cent which was again reduced to $6\frac{1}{4}$ per cent for some years. It had subsequently to be raised to $7\frac{1}{2}$ per cent because other local banks, not co-operative, were offering that rate for deposits. In 1916-17, Rs 12,900 was raised to repay earlier bonds which had matured. It seems to have been the practice to issue bonds yearly and the total issues were over a lakh. We understand that ultimately all the debentures holders were paid up in full. We think that debentures for land mortgage banks are a different proposition and that it would be unreasonable to expect the public to subscribe to them unless and until these banks show that they can be conducted on sound and useful lines. We trust, however, that before many years have passed, it will be possible to issue debentures which will be readily taken up. We consider that it would be inimical to the interest of the land mortgage banks to make any premature issue of debentures until there is a reasonable likelihood of their finding a sympathetic market. Till such time, the banks should rely mainly on deposits, share subscriptions and Government loans. When the time comes for floating debentures we are inclined to think that they should be issued by a central institution such as the Provincial Bank, that they should be of 25 or 30 years' currency and that Government should subscribe to a maximum, say of two lakhs, on condition that the public subscribed for an equal amount. We are of opinion that if Government takes up a part of the issue it would not be necessary for it to guarantee either principal or interest. The debentures should be secured by a floating charge on all the mortgages and other assets of the bank. The mortgages in the hands of the district mortgage bank could be transferred to the issuing bank. It would be necessary also to constitute a sinking fund. We do not think that in the early stages of issue these debenture bonds should be made trustee investments. We would be chary of adding to the list of such investments any thing that had not proved itself to be in the nature of a gilt edged security.

81 *The English Agricultural Credits Act of 1928*—The co-operative movement in India has borrowed largely from types of societies which exist in Europe, and in connection with Government assistance to the movement, it may not be out of place to make a reference to the English Agricultural Credits Act of 1928. The Agricultural Mortgage Corporation which commenced business in January 1929, was set up under the Agricultural Credits Act of 1928 with a view to providing, for the first time in Britain, facilities for long-term agricultural credit. The capital, £ 650,000 has been subscribed by Joint-Stock Banks and by the Bank of England. The dividend is limited to 5 per cent per annum, non-cumulative. Under the Agricultural Credits Act, the State has undertaken to contribute £ 10,000 a year for 10 years towards expenses and also to provide a guarantee fund of £ 650,000, free of interest for sixty years against losses on advances made by the Corporation which will issue advances up to 60 years for land purchase and for lesser periods for major agricultural improvements. The charge for a 60 years loan, interest and amortisation

is at present fixed at £ 2 15 half-yearly. Advances will not exceed two-thirds of the value of the land, and debentures to the public will be issued on the basis of the mortgages. These debentures would be trustee securities

Owing to the break-up of large estates in Britain after the war, frequently because of the heavy burden of taxation many farmers, purchased their farms. To a large extent they obtained finance for purchase by short-term bank advances but failed to distinguish between temporary advances for crop, and permanent advances for capital expenditure. Hence the necessity for the creation of a special institution like the Agricultural Mortgage Corporation. Joint-Stock Banks Act as local agents in recommending applications to the Central Institution. It is, in short, an attempt to reform agricultural finance without the direct intervention of the State. If the loans are repayable in less than 60 years, the half-yearly payments are more for example, a 60-year loan for £ 100 is repayable in half-yearly payments of £ 2-15, the half-yearly payment for a 30-year loan of £ 100 would be £ 4-3 9. The borrower has to bear the cost of valuation and the stamp duty on the mortgage. The Corporation also grants long-term loans to finance major improvements to agricultural land and buildings, *e.g.*, drainage, embanking, fencing, land clearing and water-supply. The maximum period for a land improvement loan is 40 years. For a forty years loan the half-yearly payment would be £ 3 per £ 100.

According to a report of last autumn, the Corporation had raised five million pounds by 5 per cent debentures and had lent out about three millions. From our point of view, the interesting fact is the loan by Government, free of interest for sixty years and the annual contribution towards the expenses of the Corporation.

82. *Co-ordination of credit agencies for permanent improvement of land or for debt clearing*—There should, in our opinion, be co-ordination between Government and land mortgage banks by granting loans on easy terms to these banks, especially in the early years, and by making a contribution towards the pay of the valuer of the banks. At a subsequent stage, we hope that Government will take up some part of the issue of the debenture bonds. In the report of the Royal Commission on Agriculture it was suggested that loans under the Land Improvement Loans Act might be distributed through the medium of land mortgage banks. In Assam at least, this would be premature until the banks gain further experience and until they have an adequate and reliable staff to enquire into such applications and to ensure that such loans are properly spent.

We have hinted that the Provincial Bank might be a suitable agency for issuing debentures at a future date to finance district land mortgage banks. As conditions are at present, the Provincial Bank depends for its own finance on deposits for two or three years or on loans from banks outside the province for a similar term. It therefore cannot finance land mortgage banks in their ordinary loan operations. We suggest, however, that it might be possible for the Provincial Bank to grant short-term loans to land mortgage banks in cases where deposits which mature cannot be conveniently paid off from the funds with the banks. We make this recommendation with some hesitation and trust that use would only be made of it in exceptional cases, because it is the duty of the banks to look ahead

and anticipate such happenings. With deposits for comparatively long terms of five years or more, they would be in a better position to forecast their requirements for purposes of repayment and to make provision out of their own resources

In the chapter on co-operation, we will discuss how far the proposal is feasible that rural societies should have two branches, one dealing with short-term and the other with long-term loans, which the Central Banks could with the assistance of the Provincial Banks finance

At present, we do not think that there is any prospect of co-ordination between land mortgage banks and indigenous bankers in Assam. Assuming that the land mortgage banks had the power to borrow from these bankers we doubt if they could profitably do so, as they would probably have to pay a comparatively high rate of interest for any loans from these sources, and this would result in one of two alternatives—either reducing the profit margin of the land mortgage banks or raising the rate of interest payable by the borrower neither of which we can commend.

83 *Review of system of Government loans and elimination of administrative defects*—We have already noted in the beginning of this chapter that not much use is made in Assam of the Land Improvement Loans Act. We have little to add. We have received few complaints about the administration of the Act itself or of the rules framed by the Government of Assam. We believe that the rules are suitable and we have no amendment to suggest. Under the Act, loans are granted mainly to individuals. We would, however, invite attention to section 9 of the Act which enables loans to be granted to members of the village community on such terms that all borrowers are jointly and severally bound to repay the loan, a statement being on record as to what amount as among themselves, each is bound to contribute. Revenue Officers have to be satisfied that the property mortgaged as security is of such a nature that the sale proceeds will be more than sufficient to cover both principal and interest. We consider that more use be made of section 9, particularly on the case of projects for channels to introduce silt into low lands, for protective embankments and for enclosures of fields. We suggest that the Local Government, through the District Officers, might make the provisions of this section more widely known.

We come next to the Agriculturists' Loans Act. We give the figures from the Reports of the Land Revenue Administration for the last five years, showing the loans granted in each Valley.

—					Assam Valley	Surma Valley
1					2	3
1924-25	...	...	..	.	Rs. 18,650	Rs. 12,700
1925-26	..	...	..	.	29,289	1,01,485
1926-27	.	.	.	.	68,091	50,481
1927-28	..	.	...	.	1,40,178	2,28,507
1928-29	..	...	...	..	67,226	33,200
Total	...	...	...	...	3,23,734	4,26,376

We should add that in 1929-30, owing to the disastrous floods of June 1929 in the Surma Valley, and in part of Nowgong district in the Assam Valley, approximately 30 lakhs in agricultural loans have been given out by the Government mostly in Sylhet. We may further note that in 1915-16 when there were also devastating floods in the Surma Valley, some 30 lakhs were given out in Sylhet alone.

The administration of the Agriculturists Loans Act in different provinces of India has been discussed in paragraph 362 of the Report of the Royal Commission on Agriculture. We are in general agreement with the remarks made there. It would, in our opinion, be impossible for Government to finance agricultural operations in normal years, and the facile credit arising from the low rate of interest—6½ per cent—would not be for the benefit of the agriculturist who would not we think, respond by working harder and paying more punctually. A general extension of the system of Government agricultural loans would also deal the death blow to the rural societies and to any attempt to introduce co-operative principles and to foster a spirit of self-help and thrift. For these reasons we hold that Government agricultural loans should only be given in certain contingencies, which in this province, means that they should be granted when crops are destroyed by floods, or by a spell of drought or in the case of an outbreak of an epidemic among cattle. We have ascertained that the loans from 1924-25 to 1928-29 were disbursed on these principles. We appreciate the fact that the loans were not confined to the plains districts but that the hill districts got a share.

84 The criticisms as to the administration of the Act that have been brought to our notice are that the loans are often too small to be of much practical use, that the groups forming the signatories of the joint bonds are often too large, that the deserving poor are often left out because they have not been able to gain the favour of the Sarpanch or of influential villagers who suggest to the revenue authorities the names of the borrowers, that there is often unfairness in realisation due to the very nature of the joint bond, that realisations are often too strict and ill-timed, and that sufficient loans are not distributed in times of cattle epidemics. We offer a few remarks on these points.

The experience of those of us who have had to distribute loans in times of floods is that such help to be effective must be given promptly. Theoretically, it would be desirable to enquire into each individual case separately. In practice this is a sheer impossibility, owing to the very limited number of officials or others available for making enquiries. The number of borrowers who are grouped together in one bond must be fairly large—usually 15 to 20, smaller groups would mean more bonds and this would involve delay, besides, larger groups mean ordinarily greater security for the loan and to this Government is reasonably entitled. The security is almost invariably personal liability without the mortgage of land. We know that Sarpanches and others do occasionally accept small gratuities from those whom they recommend as proper recipients of the loan. The distributing officers, in the short time at his disposal, must depend to some extent on local recommendations. We have no remedy to suggest to prevent the exactions of the Sarpanches or village-

head-men All that we can urge is that those in charge of distribution should be on the look out for any such cases. It is true that cultivators who are in rather better circumstances do not care to have their poorer brethren in the same group but this is generally insisted on, partly so as to enable those who are less well-off to have the benefit of the loans, and partly so as to have better security. In cases of general calamity, such as widespread floods, we do not recommend any alteration in the present procedure. Where, however, there is less urgency in giving out loans, for example, in case of a cattle epidemic, the Revenue Officer has usually more leisure to make preliminary enquiries, and could form smaller groups, perhaps with mortgage of land as additional security.

85 As to the allegation that the loans are often too small to be of practical use, Government does not profess, by granting the loan to place the distressed in the economic position they occupied before the calamity or which they would have enjoyed had their crops come to maturity. The financial resources would not permit of this. All that it can do is to assist the cultivator temporarily to tide over the period of distress with the grant of small loans, generally for subsistence or for the purchase of seed. We know of no case where Government have refused to sanction such loans as the District Officer considers necessary. We think that the borrowers sometimes do not exert themselves as they might to supplement the assistance rendered by Government. It is true that sometimes they have to borrow from the money-lender—and often at a heavy rate of interest—to supplement the Government loans. We do not think, however, that it is reasonable to expect Government to provide all the necessary finance. But we recommend that the Government loans given for the purchase of cattle should be sufficient for the purpose without the necessity of borrowing from other sources.

86 As to the allegations of unfairness in realisation, we recommend that every attempt should be made to realise first from each individual the amount which he himself received according to the statement in the joint bond. Not only his moveables but also his landed property should if necessary, be attached. Only when this fails, should an attempt be made to enforce joint liability and an endeavour should be made to apportion this liability as fairly as possible among the signatories of the joint bond. We believe that sufficient steps are not always taken to realise his share from each individual and also that when joint liability is enforced, the peons sometimes try to realise from the first one or two signatories of the bond or from those whose assets would suffice to pay all the balance, without any instructions being given to them to apportion liability. We admit that our suggestions will mean more work but believe that they will conduce to greater fairness in the working of the Act. Connected with this is the complaint of the realisation being over-strict and ill-timed. We must however, emphasise the fact that realisations must be strictly enforced where the borrower is at all able to pay, the cultivator no doubt prefers the more easy-going methods of the money lender but he pays dearly for this in the long run, in the interests both of the borrower and of the State, realisation must be strict. The only exception should be where there have been one or more failures of the crop after the loan has been given or sometime, where

the cattle purchased have died. Rules 15 and 17 empower the Deputy Commissioner to allow suspension and also remissions of unpaid loans. All we would urge is that full advantage should be taken of these sections, and in perusing the Land Revenue Reports of the last five years we have been struck by the numerous cases in which Government did allow suspension and remission. We do not think that the allegation of over-strictness in realisation is borne out by the facts. It is possible, however, that sometimes payments are difficult to make because the kist dates have been unsuitably fixed. This should not be the case if there is a strict application of rule 12 which lays down that the dates of repayment should be fixed with due regard to the dates of harvest. We recommend that for cattle loans two years in two kists should be allowed for payment. The price of cattle has risen in the last decade.

87 We have observed that it is the policy of Government to distribute loans in cases where the staple crop has failed for two or three successive years in more or less restricted areas, *e.g.*, the buru-growing areas in Sunamganj. With this policy, we are in complete agreement. The main recommendation we would make for extending the scope of the Agriculturists' Loans Act is that loans for purchase of cattle should be liberally given even for specific villages and not necessarily for wide areas in cases where there has been heavy cattle mortality. It is this item of expense that causes such a drain on the cultivator's resources. Loans should, however, be given only to those who could not possibly obtain the necessary funds without resort to the *mahajan* or money-lender. We do not mean that the loans should be granted when an old bullock dies here and there but only in the case of an outbreak of rinderpest or other fatal disease. Even then it may not always be necessary to replace all plough cattle which have died because sometimes the cultivators have more cattle than they actually require. We think that, in such cases, it may be possible for the Revenue Officer to make more thorough enquiries than would be practicable in the time of a widespread calamity. The groups therefore, might be smaller but in addition to general personal security land could also be taken in mortgage. There should be no hesitation in realising the full loan with interest at once if it transpires that the cattle have not been purchased or that the loan has been spent in other ways.

We have considered whether agricultural loans should be given to new settlers, *e.g.*, immigrants from Mymensingh to enable them to set up in their holdings. On the whole, we are not inclined to recommend this. Such immigrants frequently, when they first come to Assam have funds which they have obtained by selling their land in their native districts. It is true that others borrow soon after they arrive. We think that the utilisation of the Agriculturists' Loans Act for this purpose would lead to abuses.

We would invite attention to rule 26 which provides for the granting of loans of agriculturists to facilitate processes which are ordinarily employed by them or which are necessary to the marketing of their crops, *e.g.*, for the purchase of small plant for *gur* making, oil pressing, and paddy husking. Such loans could be given to individuals or to combinations of agriculturists. It is a condition of such loans that the security should be adequate.

and that the operations should be capable of being carried on without expert supervision. We do not think that in Assam much use is made of this rule. We recommend that it should be brought to public notice through District Officers because we believe that more use might be made of it to the benefit of the ordinary cultivator. We have no alteration to suggest for the improvement of the Statutory Rules and Executive instructions framed by the Government of Assam for carrying out the provisions of the Agriculturists' Loans Act they seem to be admirably adapted to the purpose.

CHAPTER VII

Marketing of crops

88 Paddy (unhusked rice) jute, mustard, pulses and to a smaller extent *gun*, potatoes, cotton, and oranges are the main crops we need consider. In the *Surma Valley*, in the tea garden areas much paddy is sold throughout the year to the coolies in the markets which may be either inside or outside the garden. In other parts, the cultivators sell some part of what they do not require for their own immediate needs in markets which are convenient to them, but most of the surplus is taken away along the innumerable water routes by boats to Bengal. Most of the purchases are made by *beparis* who bring up their boats from Bengal, but Sylhet boats also take paddy down from Cachar to Sylhet and Habiganj traders in big boats also seek a market in Bengal. In Sylhet especially, most of this boat traffic starts as soon as the rivers begin to rise. If the boats do not come up fairly early the cultivator's stock lies in his hands unsold and when he has no market for his paddy, he has sometimes to borrow money from the money lender to buy other goods or to pay his land revenue. It is true that by the time the boats come up, the market price of paddy is usually higher than it was immediately after harvest, but if the agriculturist has had to borrow in the meantime, he does not reap the benefit of the higher price. In Sunamganj subdivision the case is rather different, the staple rice crop (*buro*) is reaped in April and May and owing to the waterlogged nature of the subdivision, boats can easily come up at harvest time. But it often happens that when there is a bumper crop in Sunamganj, the same is also the case in Eastern Bengal. Prices in Sunamganj therefore will be low and the cultivator if he possibly can, will wait for a future rise. A considerable quantity of paddy is also exported by rail—from Cachar towards Upper Assam or from Sylhet toward Bengal. The Marwaris and other traders who have their godowns near the railway stations buy up the paddy from the cultivators who bring it in sometimes on pack-ponies or from *beparis* who collect it. Growers of paddy who live within easy reach of the railway are, on the whole, in a better position to choose their own time of selling. As a rule the *bepari* who buys paddy by touring the villages in his boat and the trader who buys for export by rail pay the cultivator in cash. It is not usual in the Surma Valley to give advances to be repaid in paddy crop. Sometimes the *beparis* bring up earthenware pots and exchange them for the quantity of paddy that a pot will hold. Some of the *beparis* trade with their own capital but others receive advances from bigger *beparis* and *araddars*. In the Jaintia Parganahs in Sylhet, we have noticed that not only traders but also substantial farmers buy up paddy from the ordinary cultivators soon after harvest and then store it until the *beparis* come up from Bengal to purchase. In Cachar the Manipuris buy paddy in small quantities and have it husked by their women. It is then sold in the numerous small bazars to which garden coolies resort. In some districts where there are ricemills, cultivators sometimes take their paddy to be husked and cleaned at a charge of 6 to 8 annas a maund. It pays them to do so because there is a strong demand and a better price for well-cleaned rice.

The jute crop in Sylhet is not of very great importance except in some parts of Sadr, Maulvi Bazar and Habiganj in the vicinity of the big rivers. In Habiganj boat-men from Bengal collect the jute from the villagers, paying in cash. Further up-stream in Sadr and Maulvi Bazar the jute trade is largely in the hands of Marwaris who collect the jute through *farias* and *aratdais*. Occasionally the *farias* advance money to the actual jute growers, sometimes binding the cultivators to give them a share in the produce and sometimes to sell the jute at a fixed price at a particular time. A big cultivator who collects jute from his smaller neighbours also plays the part of a *faria*.

Mustard and pulses are not of much importance in Sylhet. They are generally sold to produce merchants or to collecting *beparis* for cash to pay land revenue or rent. The system of advances for these crops is not common.

Gum is manufactured more extensively in Cachar than in Sylhet and is generally sold to *beparis* for cash. The growers of sugarcane are mainly ex-tea-garden coolies.

Potatoes in the plains districts usually are marketed for cash to consumers in the local *bazars*, but sometimes are made over to the *mahajan* from whom an advance has been taken. There is a growing trade in Cachar of well-keeping varieties which are exported by the *mahajans* to Upper Assam. In the Khasi Hills the potato trade is in the hand of the Marwaris who purchase either in Shillong direct from the actual growers or through Khasi *beparis* in the outlying areas and the price mainly depends on the Calcutta market. Those *beparis* often make advances of seed to the poorer growers on condition that they will get one-third of the crop. They sometimes also give them advances of rice. The Marwaris send the potatoes by rail *via* Gauhati to Calcutta. Some portion of the potato crop is also sent down to the Sylhet plains for local consumption and also to the Assam Valley.

Cotton from the Lushai Hills (and from the Garo Hills in the Assam Valley) is sold by the growers to the Marwari dealers in the plains and then exported to Calcutta. Advances are sometimes made to the growers in the Lushai Hills by agents of the Silchar Marwaris on condition that the crop is sold to them.

Oranges, mainly from the south slopes of the Khasi Hills, are usually sold by the growers to *beparis* or to Khasi brokers in the local hill markets for cash. The *beparis* sell the fruit at Chattak in Sylhet to bigger *beparis* through *aratdais* who export the oranges by steamer to Calcutta.

89. In the Assam Valley there is an extensive market for surplus paddy in the tea gardens, particularly in Lakhimpur and Sibsagar districts. The local grower who is near a tea garden market finds a ready sale for his paddy at all times of the year. But the local supply is quite inadequate. Large quantities are sent up by rail to the tea districts by Marwaris who collect the paddy from growers in the lower districts of the valley. Much Rangoon rice is also imported from Chittagong and Calcutta. The market price of paddy in the Upper Assam districts is much higher than in lower Assam, this is due to the strong demand and the cost of railway freight. Generally speaking, the grower of paddy does not take advances for repayment in crop. The jute business in the

districts of Nowgong, Darrang, Kamrup and Goalpara is practically in the hands of the Marwaris and in Barpeta subdivision of the Barpeta traders. The crop is generally taken in repayment of advances. As a rule the advance is given by *beparis*, who may be Bengalis, Assamese, Marwaris or well-to-do Mymensingh cultivators. These *beparis* are financed by the big Marwari firms and make advances to the actual cultivators usually on the stipulation that the jute will be made over to them at the prevailing market rate. The system in Goalpara is similar; only *matdars* as a link between the *farias* and Marwaris are common there. The practice of giving advances by the *beparis* to the growers in Goalpara appears to be less widespread than in Nowgong. The Marwaris at big centres like Nowgong and Dhubri bale the jute and send it by rail or steamer to Calcutta. For mustard and pulses especially in North Lakhimpur and in the Majuli area in Sibsagar district, the usual practice is for the village *mahajan* who may be a Marwari, a Telu or a Johala, to give advances for repayment in crop. In addition to this, traders of Sualkuchi in Kamrup district who are partly financed by Gauhati Marwaris come up in boats to North Lakhimpur and the Majuli and purchase the crop for which advances have been given beforehand. There is some trade in oranges from Kamrup district. *Beparis* purchase them from the growers for cash and export them to Eastern Bengal. Some cotton is collected by Marwari firms at Lumding from the growers in the Mikir Hills. Lac is brought to Chaparmukh by the Mikirs and exported by Marwaris to Calcutta but this business is not flourishing. The Mikirs, both for cotton and for lac, take advances and being very ignorant and timid are an easy prey to the middlemen.

90 *Difficulties of marketing (variety of weights, indifferent communications, etc.)*—In both valleys we are of opinion that there is no lack of markets. In the Assam Valley most of the markets outside tea gardens are managed by the Local Boards. In Goalpara the markets generally belong to the zemindars. Practically every garden has also a market inside its boundaries. It may be the large weekly market place or a small market where foodstuffs are sold two or three times a week. When cultivation expands,—e.g., in the Mymensingh settlements in Nowgong—there is no difficulty in establishing a market whenever it is required and a plot of Government land is often set apart for the purpose. In the Surma Valley, most of the markets in Sylhet belong to zemindars, and as there is little room for expansion of cultivation, the existing markets are probably sufficient. Both Sylhet and Cachar are well provided with *bazars* for the needs of the garden coolies. We have had no complaints about harsh exaction of tolls in *bazars*. All towns are supplied with market places. Cattle markets are to be found in different localities. On the whole we think that the markets in the province are sufficient.

But there is another aspect of the question. Communications are not equally good in all districts, and this is always a handicap to the seller of produce. The usual result is that he has to sell his crop at considerably less than the market value especially where a *beparis* comes round to collect the produce. This does not, however, apply to the Surma Valley where roads are plentiful in the higher areas and where there are innumerable waterways in the low-lying parts. The Jaintia Parganahs are badly off for roads though water transport is excellent for

the greater part of the year. North Lakhimpur subdivision is not well off for roads and communications in Kamrup and Goalpara districts are not too good. In the Assam Valley much use is made of the Brahmaputra steamer service which has a branch running in North Lakhimpur subdivision. Sylhet and Cachar are particularly fortunate in having steamer services by several routes. Railway expansion has been a feature of Assam in the last few years. In the Surma Valley, recent extensions are the branch lines from Karimganj to the Longai and Chargola valleys, from Shaistaganj to Balla and to Habiganj, and from Katakhal to Lala bazar. Other branch lines have also been surveyed and will be constructed as soon as the railway board allots funds. In the Assam Valley, recent extensions are from Simulguri to Khowang, from Furkating to Jorhat, from Chaparmukh to Silghat, and from Senchoa to Moirabari. Other projects await funds. We ought to mention that recently Government borrowed a crore of rupees for road improvements in Assam. The schemes of the road board which is responsible for spending this loan mainly concern main roads and railway or steamer feeder roads. The cultivator is bound to benefit by these schemes which will have the effect not only of providing easier access to markets but of equalising prices. The Shillong-Sylhet road which is at present under construction as also the recently opened Cherra-Ropenay will facilitate trade and commerce between the potato-growing and coal and lime-producing areas of the Khasi Hills and the markets of Sylhet and East Bengal. We hope that Government will, so far as funds permit, continue to make liberal grants to Local Boards for the construction of minor and village roads and for the maintenance of existing roads. At the same time we recognise that the resources of Government are limited and that the Local Boards must face the task of increasing their own resources by such forms of taxation as are within their power. In Sylhet, boat channels are often silted up or choked by water-hyacinth. It is difficult to suggest a remedy for this.

91. As regards weights and measures, the main complaints are about the weighing of jute and the measurement of paddy and mustard which are usually sold in the Assam Valley by the *doon* basket measure. We would refer to our remarks about the *doon* in Chapter V. We admit that a basket has certain advantages as a measure but we disapprove of the variable size of the *doon*. We suggest that an attempt might be made to have a *doon* of standard size for use in markets. We recognise however that it would not be practical to enforce this in sales in the villages or even on the roadside on the way to the bazar. If the standard *doon* could be enforced in the bazars, it might find its way into the villages for private or semi-public transactions.

As regards weighments, we think that the maund and seer weights are usually of the correct Government standard but what happens is that, in the case of certain crops, a certain number of seers is taken in excess by the trader. Babu Lalchand Seog of Tezpur says "Growers bring their jute after weighment and their weighment is generally correct. We take 2 seers in excess for every maund so far as cultivators of the Bishnath side are concerned. For jute-growers of Tezpur side, we do not take anything in excess. As regards mustard, we take 2 seers in excess that is to say at 84 tolas per seer". There is other evidence of similar import. We do not think that legislation could alter this practice. As a rule, the seller recognises such deductions or excesses as a trade custom.

The Royal Commission on Agriculture in the course of a review of the various standards and measures in use in India have suggested that the Government of India should have an enquiry made into the possibility of standardisation, and have pointed out that different provinces would have to decide what is suitable, having regard to local custom and local prejudices. It is probable, therefore, that some enquiry will be instituted to follow up this recommendation. If and when this is done in Assam, we would recommend that special attention should be paid to the *doon*. We recognise, however, that there are great obstacles in the way. Little would be gained by making legislative enactments which it would be difficult to enforce or which it would be comparatively easy to circumvent. From the point of view of the cultivator who has taken an advance from the buyer of produce, no legislation could compel the latter to purchase at the prevailing market rate or to refrain from making deductions on the pretext or another—and this is the main disadvantage under which the cultivator labours. He dares not complain in case he may get no further advance. His salvation lies in his being better educated, in his becoming a better business man and in his acquiring the virtues of thrift and hard work, with a new outlook of life. The cultivator who is not under the obligation of an advance, can, as a rule, secure a fair market price for his goods. If the buyer will not give him a reasonable price or if he considers that his weights and measures are unfair, he is free to sell his goods elsewhere.

92 *Effect of indebtedness on marketing.*—In more than one place we have already referred to this point. A cultivator who has taken an advance on condition that he is to repay in crop—mainly jute and mustard—has to give a considerable portion of the crop as interest. As a rule he is under an obligation—express or implied—to make over the crop very soon after harvest and is not able to wait for a rise in the market. He has often to suffer deductions in weighing on one pretext or another and is not in a position to protest. The cultivator who is in debt though not under an advance to pay in crop is usually approached by his creditor immediately after harvest and he is pressed to pay up though it would be advantageous for him to wait for a rise in the market. We have dealt at full length in Chapter V with the case of the cultivator in Sunamganj who has taken a paddy advance. Generally speaking, the cultivator who is in debt or who has taken a crop advance is unable to obtain a reasonable profit for his crop, the profits are swallowed up by the creditors.

93 *Part played by middlemen*—In the Assam Valley the usual middleman is the village mahajan—a Marwari, Teli, Johala or prosperous ex-tea-garden cooly. In the Surma Valley this part is played either by the *bepari* from Sylhet or from Bengal. The main difference in their methods is that the middleman in the Assam Valley transacts business largely by giving advances while the *bepari* in the Surma Valley usually pays in cash. This is partly due to the fact that advances are usually given for non-food crops such as jute and mustard. In some parts of Sylhet where jute is grown the *faria* and *aratlar* are also to be found. In the Assam Valley between the village mahajan and the cultivator there may be intermediaries like the *beparis* or well-to-do cultivators, and again, especially for jute, there are sometimes Marwaris who take the crop from the village mahajans and make it over to the Marwari firms which export to Calcutta, securing

a commission for their trouble. The Sualkuchi traders who go up the Brahmaputra for mustard are middlemen as they dispose of the produce to the Gauhati Marwaris. The Hill Khasis act as middlemen for the potato trade, and sometimes for the orange business. In some small zemindari bazars in Sylhet there are traders called "Chattiwalas" who spread their mats or "chattis" in the bazar and purchase rice in small quantities. Where there are two or three chattiwalas competing with each other, the cultivator probably obtains a fair price. Some of these "Chattiwalas" take lease of the bazar from the zemindar. Occasional cornering by the "Chattiwalas" is not unknown. They sell what they collect to the *beparis* who take away the rice in boats. There are also petty middlemen who collect rice from the widow paddy huskers. We have given some additional information about middlemen in the section dealing with "methods of marketing". The Barpeta "dalals" we have already referred to.

The middleman plays a most useful and necessary part in the marketing of produce. Were it not for him many cultivators would find great difficulty in disposing of their produce. He cannot be dispensed with. There are, however, great abuses in the system of advances. We doubt whether public exposure of these abuses or whether the weight of public opinion can produce any radical change in the methods of the worst class of middlemen. We are of opinion that the remedy must be sought for in dispelling the ignorance of the cultivator, in teaching him to be more thrifty and hard working, and in affording him facilities of finance on reasonable terms through rural societies. Only then, can he act a free agent.

94 *Possibility of pools and sale societies*—The nearest approach to a pool that we know of is the Naogaon *Ganja* Cultivators' Co-operative Society in Bengal. Details will doubtless be given by the Bengal Committee. It will suffice if we say that in our opinion this is a compulsory pool, because the grower of *ganja*, the cultivation of which in Bengal is confined to the subdivision of Naogaon must sell this excisable drug to the society and to no other agency. It is obvious that the society has the advantage of not having to compete with other source of supply. The price paid to the cultivator depends on the price at which the society sells to licensed vendors which is fixed by the Commissioner of Excise. In Assam the only crop for which a pool might be formed is for jute. An attempt in this direction was made by starting the Nongong Central Co-operative Sale and Supply Society in 1927, the primary object of which was to create a favourable market for the grower of jute. We would refer to the evidence of the Secretary, Sriyut Joysingh Chettri. The paid up capital was only Rs. 2,040. In each of the years 1927 and 1928 Rs. 10,000 was borrowed from the Provincial Bank repayable in a year at 9 per cent. The society purchased jute from the growers and sold it direct to Calcutta. The growers received about 60 per cent of the current market value of the jute on delivery and the balance was paid about a month later. Government assisted in paying the godown rent for six months and by deputing an Agricultural Inspector for three months as an expert adviser. He acted more as a canvasser among the growers. In 1927 some 2,000 maunds of jute were purchased and also 2,000 maunds in 1928. An expert was brought from Bengal for grading the jute, the grading

does not seem to have been altogether successful. The business was not a financial success and the major portion of the 1928 loan from the Provincial Bank remains still unpaid. The promoters failed in their expectations of being able to raise 2 lakhs capital and local deposits were not forthcoming. So far as we can ascertain the society failed mainly because its capital was insufficient because it had no one of any practical business experience in the jute trade, either on the directorate or in its employ, because it was unable to grant advances to the Mymensingh cultivators or to clear off the advances which they owed to the Marwaris and because many members were not loyal to the society but disposed of their jute to the Marwaris. The Secretary admits that those who did sell their jute through the society reaped no pecuniary benefit.

95 The Secretary mentions that the society was disappointed in not getting more financial aid from Government. We think that the scheme from the very start dealt more with theoretical possibilities rather than with practical probabilities. It seems to have been the idea of a few enthusiasts rather than the proposal of practical business men. Enthusiasm and business experience must go hand in hand in a venture of this sort if success is to be obtained. We do not think it reasonable to expect that Government should give a recurring loan for a number of years, much less a grant, unless there was reason to believe that the scheme would be a success. The main problem seems to be to devise some method by which the jute growers would find it more profitable to sell their jute to the society rather than to the Marwaris. Admittedly, as it turned out, they did not gain by dealing through the society. The Marwari who purchases jute locally and then sells to bigger Marwaris or to brokers in Calcutta must as a rule make decent profits as a middleman. The aim of the society was probably to earn such profits itself instead of allowing the Marwari to do so. There is reason to believe that the jute was not properly graded and the Secretary hints that the Calcutta agent was more of an expert in tea than in jute, and, admittedly, there was no manager with business experience.

We do not think any such society is likely to be successful unless it clears off the advances which its members owe to the Marwaris and for this much capital would be required. If the local people, including the well-to-do Mymensingh jute growers have not sufficient confidence in the future success of the society to invest their surplus funds in it, it is hardly reasonable to expect Government to come to the rescue by making large grants or loans. If the local people interested subscribed a reasonable amount of capital there might be some ground for asking Government to supplement it, in order to encourage a new venture which might be the forerunner of many others. Another point to be noted is that the Marwaris would not favour the starting of any society that would be inimical to their own interests, the Secretary in his evidence has said that the local Marwaris did misrepresent matters, telling the cultivators that they would lose if they joined the society. Such a society will, at least until it thoroughly establishes itself, run the risk that the Marwaris who have ample resources will start a kind of rate war and, for the time being, will offer to growers rates which may, for the time being, involve the purchasers in loss. We understand that there are jute sale societies in Bengal which are successful but we do not know all the facts. It may be that the growers there are not so much in the clutches of the Marwari.

We feel sure that these societies, in so far as they are a success, have business men at their head. Members who join sale societies are not always loyal and this is always a drawback to success. We considered the question whether such a society in Assam could be based on a network of ordinary rural societies, but we found that the latter, among the Mymensingh settlers had been a failure. We examined the books and talked to the members of two such societies but we found that they were hopelessly irregular in repayments of the loans they had taken from the societies and had heavy debts outside the societies. We admit the desirability of exploring the possibilities of making a jute sale society a success, so that the grower may have his legitimate share of the profits. Our recommendation is that Government should gather information as to the success of similar societies in Bengal by deputing an officer, if necessary. It may then be seen whether there is any reason why such a society should be not a success in Nowgong and what steps should be taken for reorganising the present society. In a province where new experiments have to be made much is to be gained from the experience of other provinces. We should like to quote from a report which was written in 1927 after an enquiry which was made into the possibility of organising a co-operative jute sale society in Nowgong:—

“Unless the cultivators who have to borrow on the stipulation of sale of their produce through the creditors, are redeemed completely from the grip of the Marwari Mahajans, they say they would not be in a position to join a Co-operative Sale Society. No scheme of a society for the above class of cultivators stands any chance of success unless it provides for advancing loans on hypothecation of the crop.

No class of cultivators (whether in debt or free from debt) favour the idea of joining the society on the basis of sharing profit or loss in its entire business. They all would prefer the commission system of sale through the society if a certain portion of the value of the jute at market rate is advanced to them on its delivery to the godown.

As regards the possibility of raising a share-capital of Rs 50,000 the opinion differs very widely. We however, believe that with the co-operation of the District Officer such amount of capital may be raised from the cultivators and the gentry of the town.

Carts, coolies, expert assorting and baling staff, and all other requisites of trade are available. There are also good remittance facilities between Calcutta and Nowgong, and Nowgong and Shillong”.

96. *Licensed warehouses*—The idea of licensed warehouses is that products like cotton could be stored in such warehouses and that advances could be made on the security of these goods. This was translated into action in the United States of America by the United States Warehouse Act of 1916. We admit that warehouse warrant or receipts would form a readily negotiable and transferable security if such warehouses were properly organised and managed, but we consider that in Assam the question is altogether premature.

97. *Better organisation of markets*—The Royal Commission on Agriculture dealt with the question of better regulated markets for wholesale transactions in agricultural produce—mainly wheat and cotton. We hardly think that there is a similar demand in Assam, where jute and mustard

are rarely sold in the open market. We have seen suggestions for the appointment of a market Director under the Agricultural Department whose business would be to gather information about supply and demand and prevailing prices. We do not believe that the time has yet come for this in Assam. We think that the suggestion that Government might by means of telegrams or price bulletins take steps to circulate the market price of jute is more to the point, we do not know how far it is practicable. Where there is competition in a centre between wholesale purchasers of the jute crop, the agriculturist who has jute to sell can hardly fail to be aware of the highest price offered but the difficulty is that he is so often tied down to a particular mahajan from whom he has taken an advance.

One of our members suggests that, as regards paddy, a cultivator who had a surplus which he did not require for his own use could keep it apart in a separate granary or in another part of his only granary and could wait for the market to rise. He would be a member of a rural society and would receive from the society an advance of 75 per cent of whatever might be the market value of the paddy at the time, on his giving an undertaking to the society not to dispose of the stock until the society sold it at a time when the market value had risen. The result might be that he would obtain full advantage of the rise. The rural society could be financed by a central bank on the security of the paddy in stock. The other members are inclined to doubt the practicability of this proposal. To judge from the experience of the Central Bank of Sylhet, there seems to be some hope for milk supply societies. As regards sale societies in general, we think that the policy in respect of marketing agricultural produce must be a cautious one the pitfalls are numerous. And yet a well-considered scheme is worth trying because, if successful it means much to the cultivator though it will not be of great ultimate benefit unless the agriculturist who earns extra profits in this way makes the best use of them and does not squander them in extravagant ways of living. We must also emphasise the necessity of combination among producers if they are to get the best price, and it is here that lies the weakness of the Indian cultivator. In Assam, at least, the majority farm for mere subsistence, selling from day to day when they require cash for current needs, the commercial side of the business is foreign to them.

98. *Finances for marketing produce for (1) internal and (2) external trade.*—For internal trade, advances are given to the growers of produce by mahajans, frequently on condition that repayment is made in crop. If the crop is bad the advance is carried on to the next year, with interest usually at $37\frac{1}{2}$ per cent and an additional advance is sometimes required before the following harvest at the same rate of interest. The village mahajans who make these advances work partly on their capital and partly on loans which they obtain at 9 or 12 per cent from Marwaris and other merchants in town on the understanding that they will make over the crop to them. Occasionally, large cultivators whose security is sound also borrow from Marwaris at 18 to 24 per cent and lend again to fellow villagers at a higher rate of interest on condition of repayment by crop. The traders from Sualkuchi in Kamrup who trade in mustard probably finance themselves more from their own money, than from borrowed capital. The *beparis* who come up to Sylhet or who go to Cachar to purchase paddy usually pay in cash. Their funds are partly their own and partly

borrowings from other *beparis*. In external trade such as sending jute to Calcutta, finance is usually obtained by supply bills or by telegraphic transfer through the local treasury when big sums are required. Another method is for local Marwaris to issue *hundis* on the representatives of the Marwari firms in Calcutta. These can be cashed locally sometimes even at par. Sometimes currency notes are brought from Calcutta by insured post. Occasionally local Marwari firms who have spare cash lend to other Marwaris at 9 to 12 per cent per annum. Practically all *hundis* current in Assam are *darshani hundis*, *mudatti hundis* are rare. Marwaris in Assam have usually branch shops or their head offices or commission agents in Calcutta. The Calcutta representatives have frequently current accounts with one or other of the big Calcutta banks. Marwaris have accounts also with their Calcutta agents and sale proceeds of produce are credited in them. Remittance by *hundis* is the usual form probably because the Marwaris are more accustomed to them and find no difficulty in negotiating them locally. But cheques are sometimes used. Tea-garden Managers are financed for current needs, mainly payment of the wages of the coolies, by cheques, supply bills, or notes sent from Calcutta by insured post in return for which Marwaris and other shopkeepers supply coin on payment of a commission.

99 *Part played by the different classes of banks, bankers, money lenders, merchants, and others.*—Joint stock banks play little part in marketing finance but we may take into consideration the loans granted to agriculturists by the Nowgong Town Bank, the Tezpur Industrial Bank, and the Dhubri Loan Company. The branches of the Imperial Bank only assist by remitting money on behalf of Marwaris or in cashing their *hundis*. The professional money-lender does not lend specifically for purpose of marketing. It is the buyer of produce who plays the chief roll—the *beparis*, *farias*, and *aratdars* would come next. The *dalaks* in Barpeta also play a prominent part in that subdivision.

CHAPTER VIII.

Organisation of internal trade including distribution of imported goods.

100 So far as internal trade within the province in agricultural produce is concerned there is no organisation on commercial lines, so far as the cultivator is concerned. All production is on a comparatively small scale. The ordinary cultivator grows food crops mainly for subsistence purposes and not for the market, but there are two reasons why he does sell. A solvent agriculturist, in a year of good crops, will probably have a surplus to dispose of and will often wait until the market rate is favourable. The usual reason, however, for selling by the average agriculturist is that he cannot avoid it. If he has taken an advance from a mahajan on the understanding that he must give the crop to his creditor, he is practically bound to make it over very early after harvest whatever the market rate may be. It is the creditor and not the debtor, who will make the profit as the result of being able to wait for a rise in the market. Then again and perhaps this is the more common case as regards food crops, the cultivator may have debts other than advances to clear off. Pressure will, in nine cases out of ten, be brought to bear upon him by his creditor to pay up as soon as harvest is over. He may also have to sell early to pay Government revenue. He will often be unable to keep in his own granary a balance which would suffice for home consumption till next harvest, before that time comes he will have to resort to borrowing. As regards non-food crops, like jute and mustard, the case is rather different. The cultivator grows these crops with the intention of disposing of them in the market. The same would apply to growers of sugarcane and pulse. The majority of agriculturists who grow jute and mustard, probably 75 per cent. of the growers have taken advances on the stipulation—express or implied—that they will deliver the crop to their creditors as soon as harvest is over. This does not hold good, however, to the same extent as regards sugarcane.

It follows, therefore, that soon after harvest, the cultivator has to sell practically all his jute and mustard as well as a considerable portion of his food crops. This is especially the case in the Assam Valley. The agriculturist who is a free agent and not under an obligation to dispose of his crops to any creditor can always find a ready market in the local bazars where he is paid in cash, whether he sells to the actual consumer or to a dealer, or in Sylhet or Cachar he can wait till the *beparis* comes up in his boat to purchase his paddy for cash. Where roads are good, especially in the tea-garden areas of the Assam Valley the seller is likely to get a fair price without any deductions for the middleman. But where an advance, especially for jute, or mustard has been taken we have a regular chain of middlemen each of whom must have his profit. In the centre, we have the village mahajan who makes the advance perhaps two or three months before harvest at 37½ per cent interest. But sometimes he does not make the advance direct, but through *beparis* or other agriculturists who have been financed by him though these are probably the exceptional cases. Each of these intermediates must make his profit. In the other direction, the village mahajans has to dispose of the produce he has collected through bigger mahajans or Marwaris in the towns who have probably lent him funds at 9 to 12 per cent interest and who charge the village Marwari in

addition a commission for disposing of the produce generally 1 per cent on the value of the goods sold and sometimes 2 or 4 annas per maund. These town Marwaris in their turn may make over the goods to some other Marwari in the big centres whose business it is to export the jute or mustard, to Calcutta, or other places in Bengal, or in the case of paddy, mainly to Upper Assam. All the work done by middlemen has to be paid for. The result is that any profit which the actual cultivator makes must be very small.

Beparis who work partly on their own capital but partly on advances from Marwaris or other traders at rates which vary from 9 to 18 per cent also scour the country for produce. Some of these *beparis*, in their turn, make advances to the agriculturists. Where road communications are bad, where there is no railway near, nor convenient market, we have no doubt that these *beparis* do a public service in securing a market for the cultivators' produce—though at a price. These *beparis* are of all classes. In Sylhet, Muhammadan *beparis* predominate. In the jute business, *aiatdars* and *farias* are to be met with in certain districts, e.g. Sylhet and Goalpara, but we have been told that in the chief jute producing district—Nowgong—there are no *aiatdars*, though in the first two districts they are important links in the chain. Sometimes *beparis* who take advances from a Marwari on condition that the crop they collect is delivered to him are allowed the advances free of interest. Others again, who take advances at (say) 18 per cent interest get a remission of about 6 per cent if they bring the goods. The jute *aiatdars* in Goalpara charge 1 to 2 annas a maund commission on the jute which the *beparis* bring them, if an advance has been taken, the larger commission is charged. In Nowgong, the big Marwari firms store large quantities of mustard in their godowns until *beparis* come up from Bengal in large boats to take it away but much is also sent by rail. From Assam, jute is sent to Calcutta, partly by rail and partly by steamer. It is despatched to wholesale firms or brokers in Calcutta and occasionally to the mills direct under instructions from Calcutta. A considerable quantity of the mustard is retained in the province to be utilised in the oil mills. Similarly much of the paddy is husked in the local rice mills and then sent up to Upper Assam to the tea-gardens. In Nowgong town, certain large Marwari firms grant advances to *beparis* and also to cultivators at 1 or 3 per cent interest per month without any definite obligation to supply jute. Gauhati Marwaris lend to Sualkuchi traders who go up the Brahmaputra for mustard at 12 to 18 per cent. The understanding is that the creditors have the first claim to the mustard. The Marwaris usually pay 1 or 1½ annas a maund less than the prevailing rate and as a *quid pro quo* grant a reduction of interest on the advance taken. European buyers of produce rarely come to Assam though one or two European firms have agents for jute in Goalpara district and in Nowgong. In the chapters dealing with agricultural finance and with marketing, we have dealt with village *mahajans* and *beparis* and their methods of working. We may here add a few words about trade in other articles produced in Assam.

The bulk of the tea produced in the province is exported to Calcutta or to Chittagong by rail or steamer. The necessary arrangements for sending the tea outside the province are made by the garden managers, acting under instructions of the Calcutta managing or forwarding agents. Local consumption of tea in Assam is on the increase. Dealers, chiefly

Marwaris, obtain the tea generally from Indian gardens and distribute it among the retail dealers. We need not deal with the oil fields in both valleys nor with the coal mines in Lakhimpur and the Naga Hills. These are in the hands of European firms which dispose of the output partly locally, and partly outside the province. Sylhet district is noted for its trade in lime-stone which is to be found on the southern slopes of the Khasi and Jaintia Hills. There are some private owners and also at least one Company which exports the limestone to Calcutta and Bengal. It is also sent to tea gardens in Assam for manurial purposes. There are innumerable petty kilns for burning lime in Sunamganj subdivision. This is a welcome subsidiary industry of many agriculturists. In the rains, *beraris* come up from Bengal and purchase the lime for cash. We would refer to the interesting evidence of Babu Krishna Chandra Datta on the lime business which is said to be on the decline and also on the orange trade between the Khasi Hills and Sylhet and in particular to what he says about the chain of middlemen in the latter trade and about the use of a local *hundi* or "tuka". There is considerable trade in timber and in hides between Sylhet and Cachar and Bengal. Dried fish is also exported from Sylhet especially from Habiganj and Sunamganj. We would refer to the evidence of Babu Brajendra Lal Das Choudhury, Babu Ram Lal Choudhury, Haji Abdur Rahman Laskar and Maulavi Muhammad Sufi for details. Much of the hill cotton grown in the Lushai Hills is collected at Silchar on behalf of Ralli Brothers. Advances are made to the hill people by sub-agents of the Silchar Agent. The evidence of Babu Chhotatal Vaisya on this point may be read. There is some trade in livestock between Cachar and Sylhet. Sylhet sends to Calcutta bamboos for making paper pulp, also bamboo mats and bamboo umbrella handles. In the Assam Valley, *muga* and *endu* silk cloths are exported to all parts of India. The representative of a Gauhati Marwari firm has given evidence as to the extent of the trade. In Lakhimpur district and in the north-east corner of the province as also in Sibsagar there are extensive cane fields belonging to Government. These are leased out and the cane is either used locally for making baskets or exported to Bengal. There is also timber trade in Lakhimpur. As to the potato trade we would refer to the evidence of U Raimohan Dinguah and Babu Kanhyalal Agarwala.

101. The distribution of goods imported from Calcutta or outside the province is, in the Assam Valley, mainly in the hands of Marwaris especially as regards cloth, grain, and pulses but in the Jorapeta subdivision especially local traders also play a part. In Sylhet, Marwaris are less prominent in distribution work, their place being taken by local merchants. In Cachar the Marwaris have a comparatively larger share than in Sylhet. Marwaris have usually branch shops or head offices in Calcutta which arrange for despatching the goods to Assam. Traders who have no branch or head shops in Calcutta have their requirements supplied through agents or *aradars* who are paid commission. The actual retail distribution work is in the hands of smaller shops or traders who purchase from the firms in the big centres that have brought the goods up from Calcutta. Where they do not pay in cash, they are allowed credit generally for 3 months or more. Muhammadan traders in both valleys play an important part in retail trade. In most of the weekly bazars especially those frequented by tea-garden coolies one usually comes across the Muhammadan trader who brings his cloth and other goods in a bullock cart. So far as we have been able to

ascertain, imported articles have no difficulty in finding a market and perhaps, in the interests of thrift, it would be better for the consumer if the market facilities were not so easy. Cigarettes are sold everywhere and the Imperial Tobacco Company has a large staff of touring agents. Those who prefer tobacco leaf from Bengal have no difficulty in obtaining it.

102. *Existing credit facilities.*—We have in more than one place described the system of advances from village *mahajans* to cultivators. Middlemen either below or above village *mahajans* have usually some capital of their own and find no difficulty in obtaining any further funds by advances or loans from some Marwari or *mahajan* at 9 to 18 per cent interest. The Marwaris help each other with funds at from 9 to 12 per cent interest without any security. Apart from the cashing of *hundis* we have no evidence that the branches of the Imperial Bank finance trade in agricultural products or in imported articles consumed by the cultivator or townsman. The Loan Companies and Industrial Banks also seem to fight shy of investing their funds in this line. We are not sure whether it is because they can find a more remunerative use for their funds or because they distrust the security offered. We note that merchants and Marwaris do not as a rule demand security for loans among themselves. When a Marwari sends produce to Calcutta, he is usually paid by a *darshani hundi* drawn on a Calcutta firm which he is able to cash locally sometimes at par when money is plentiful or when other traders require *hundis* for remittance to Calcutta, at other times he has to pay discount of a few annas in each hundred rupees. There are times, however, in the busy season when agricultural produce has to be purchased or when advances have to be made to *beparis* or agents, then he may require cash money to supplement his own funds. As often as not, he will, at this time, be unable to borrow from a Marwari neighbour. In that case he usually has money sent from Calcutta through his branch shop or head office in the form of a supply bill or telegraphic transfer through the Government treasury. He will practically never take a loan from any local office or bank or from the Imperial Bank as he cannot get it without security. Even if he could get temporary accommodation from such banks, he thinks that he can do it cheaper otherwise. When a Marwari has to send money to Calcutta he will look about and try to purchase a *hundi*. He may get it at par if cash is wanted by another Marwari to send to a tea-garden Manager for the payment of garden coolies. Otherwise, he may have to pay a few annas discount for it. Failing this, he will remit by supply bill or send notes by insured post or if urgent, will get a telegraphic transfer through the Government treasury. The shookeeper in town who is not a Marwari follows the same procedure. Few traders—Marwaris or otherwise—have accounts in the big Calcutta banks (though their Calcutta branch shops or head offices may have). Cheques are occasionally used for remitting money to Calcutta. When tea-garden managers require cash usually in coin of all denominations to pay their coolies which may be weekly, fortnightly, or monthly, the manager usually sends to the Marwari a cheque drawn on a Calcutta Bank or agent. The Marwari collects the necessary coin and sends it to the garden. He charges a few annas in every hundred rupees for his trouble, usually 6 or 8 annas though if the cash has to be sent to a distant garden, the charge may be as much as one rupee. The cheque is usually welcomed by the Marwari for the purpose of sending his

own spare funds or a remittance for goods received to Calcutta where there is never any difficulty in cashing the cheque. Two or three industrial or joint-stock banks also discount *hundis*. Sometimes traders have to pay for goods received from places outside the province other than from Calcutta. It is usual to pay by a *hundi* drawn on a respectable Calcutta firm or to send insured notes. Occasionally where produce is sent to Calcutta, other goods are received in return instead of payment by notes or *hundi*. Generally Calcutta firms allow 45 days credit for payment without interest in the case of foreign cloth. Discount is sometimes allowed if payment is made within this period. Sometimes wholesale traders in Assam allow credit even up to one year but charge interest. Examples of this are also the traders who send tobacco leaves from Rangpur in Bengal. One or two industrial banks have made a beginning of granting advances on the security of bills of lading and railway receipts but the volume of such business is very small. Sometimes merchants who go down to Calcutta to purchase goods take with them *hundis* drawn on Calcutta firms. This is mainly because they do not want to run the risk of carrying cash or notes on the journey.

103 *Further facilities required*—The suggestions we have received from witnesses are usually for the establishment of some type of industrial or commercial bank in the main trade centres. There is also a feeling that existing local joint-stock banks and loan offices might do more to assist internal trade by granting loans to merchants and traders. As regards remittances, some witnesses have asked for a reduction in the rate of supply bills and even of insured transmission by post. Marwaris and other traders have pointed out that from time to time they find difficulty in obtaining adequate finance for their business. The Marwaris seem, however, able to procure it by local borrowings from fellow Marwaris at rates of interest which do not seem unreasonable or by remittances from their Calcutta branches or head offices. What they require seems to be mostly in the nature of temporary accommodation which presumably would be repaid in two or three months, in other words from time to time they require short-term loans. It is probable that they could obtain such loans from a local joint-stock bank or loan company or even from a money-lender because in most cases they would be in a position to offer adequate personal security together with some collateral security in the shape of property or goods, if so required. But most of the present banks or loan offices of Assam have only a limited capital and, in any case, their object is primarily to make as much profit as possible. If they find that they can lay out their funds with reasonable safety at 18 or 24 per cent it is not to be expected that they will lend to a Marwari or to any merchant or trader at 9 or 12 per cent and the Marwari, at least, would probably not be prepared to pay more than this. We do not think, therefore, that much assistance can be expected from such banks, as things are at present. These so called banks are certainly not commercial banks, they lend for long terms and largely on the security of landed property.

104 We can hardly consider the advances which the *mahajan* makes to the cultivator, as short-term loans in the commercial sense. The security in the shape of crop is uncertain and shaky which partly explains the high rate of interest, and there is little punctuality in repayment. It may be argued that if the village *mahajan* or if the big trader could get cheaper

finance, he could lend or advance to the cultivator at a lower rate. We doubt, however, if there is much force in this argument. Unless the mahajan has more confidence in the cultivator's stability, or till the time comes when the agriculturist can better protect his own interests, we do not think that lower rates of borrowing by the Mahajan would make much difference. It seems to us that before any radical change can be expected, the agriculturist must be better informed and less ignorant, be more alive to his own interests and not allow himself to be duped. At the same time he must learn the virtues of hard work, and profitable utilisation of spare time, and above all, must learn to be thrifty and to save. At present, he is too often at the mercy of the mahajan, he is in no sense a free agent. We do not think that mere book education is the panacea, what is required more is a strengthening of his moral fibre and we believe that it is largely through the extension of the co-operative movement that this improvement must be sought. What is needed more than commercial banks so far as the cultivator is concerned is the spread of properly managed rural societies. It is preferably through these that he should secure short term crop loans. This may not at first sight, seem quite germane to the problem of providing further facilities for internal trade but we consider that it is the vital link in the chain of any sound banking organisation. Suggestions are sometimes made about the creation of small indigenous paper which can readily be discounted, but unless the cultivator is in a position to understand what such paper means and the use he can make of it, such suggestions are not likely to lead to any practical results.

105 We think, therefore, that in Assam where there is little in the nature of trade bills (though Marwari *hundis* may be called trade bills in so far as they are drawn against produce or goods) and practically nothing in the shape of short-term crop loans, the scope for commercial banks in the trading centres is at present limited. Transactions are of small magnitude compared with many mofussil centres in India, *e.g.*, where there is a large volume of trade in wheat or cotton. But nevertheless, though those hard facts render it probable that any commercial bank would have an uphill struggle, we are all agreed that, in the interests of trade, industry and commerce, some attempt should be made to establish such a bank in one or more of the chief trade centres of the province. The financing of the bank must be left to private enterprise but we recommend that Government should assist with expert advice as to the right lines on which such bank might be run. To start a branch of one of the big commercial banks, with a highly paid staff and considerable overhead charges would not be a paying proposition but we think that local enterprise might find here a suitable opening. We are satisfied that several of the Indian Joint-stock Banks and loan companies in the province are efficiently managed, and are a financial success. Their main business at present, however, does not lie in trade and commerce, but we see no reason why, under careful and prudent management and assisted by expert advice, a start should not be made in a fresh field. Such banks should be prepared to grant short-term accommodation to traders, dealers and industrialists who could offer satisfactory security in goods or otherwise. They could discount local *hundis* or cheques and make advances on the security of railway receipts and steamer bills of lading. As trade in the Assam Valley is mainly in the hands of Marwaris who have their own traditional methods of transacting business and obtaining finance, we think it probable that the type of com-

mercial bank we mean would find a more profitable field in the Surma Valley, *e g*, in trading centres like Ajmiriganj, Chhatak and Karimganj. Our recommendation is that the possibilities of establishing such banks should be explored. If, however, such a bank is likely to be supported in the Assam Valley also, we could welcome its establishment at places like Gauhati and Dibrugarh.

106. *Credit for miscellaneous occupations*—In the first part of this chapter we have touched on trade in timber, hides, cotton and some other miscellaneous lines. We believe that the lac industry is on the decline. We have, however, received no evidence on the point. Some years ago, the Marwaris at Chaparmukh in Nowgong used to grant large advances to the hill Mikirs who brought down lac. The price of lac was then high and large profits were made by the Marwaris. At present the business is small. There are at present many in Assam who ply the trade of fishermen. In Sylhet the Mahimals—the Muhammadan fishing caste—are very prosperous and usually seem to have abundant surplus cash which they invest in land or utilise in building mosques or in establishing madrasas. But there is also the poorer fisherman both among the Hindus and the Muhammadans. As a rule, he is not heavily indebted simply because his credit is small. We do not think it necessary to suggest any means of improving his credit. He is often a cultivator as well as a fisherman. The tea garden cooly if he is a decent worker or requires an advance for a marriage or to buy a pair of bullocks for his own rice cultivation can usually secure the necessary funds free of interest from the garden manager to be repaid by very easy instalments, but nowadays these advances are probably fewer in number as the coolies are well paid or at least have ample opportunity of making good earnings if they are inclined to work. Managers, therefore, think that it is the cooly's business to save up his spare cash until he is in a position to provide for such wants from his own funds.

107. *Consumer's Credit*—When a consumer buys goods in the weekly market which he frequents he usually pays cash. He often brings some rice or vegetables or goats to sell, and with the proceeds he buys what he requires. When, however, he goes to a shop he frequently purchases goods on credit. As is natural, he does not enquire too closely into the price of what he buys when he gets credit. He is content to allow his account to run on, the transactions he has with the shop-keeper are all entered in the shop-keeper's accounts and the dues are known as the *khata takit*. If the account is cleared up before the end of the shop-keepers' financial year, well and good, but frequently this is not done and the account is carried on with interest which may run at from 12 to 37½ per cent. If the account gets unduly large, the consumer has to execute a bond. An additional complication is introduced when the consumer has also taken a loan or advance as well as goods, all the accounts of the consumer are amalgamated in the shop books and more often than not all the transactions bear the same rate of interest. The consumer does not know where he stands. Then again, if the consumer wants a loan for a marriage, he is often told that he must take goods on credit instead of cash money, and he takes them, perhaps with some balance in cash. A pernicious kind of credit is that of taking cloth from itinerant Kabulis who will return in the following year for the price. There is no heroic remedy for all this and no improvement can be hoped for till the consumer learns that it always pays to purchase for cash on the spot.

CHAPTER IX.

INDUSTRIES IN THE PROVINCE (OTHER THAN COTTON, JUTE MILL, IRON, STEEL AND COAL INDUSTRIES)

108 *Tea industry*.—The only large scale industry that we have enquired into is the tea-industry. We do not, however, intend to deal with such European or Indian tea concerns as are firmly established and which find no difficulty in procuring finance for current requirements in normal year. Even in years when there is a slump in the market with low prices, they are able, usually owing to the existence of considerable reserves, to tide over the crisis. On the other hand there are many Indian gardens and also a few European-owned concerns which find the greatest difficulty in carrying on, especially when prices are low. It is to these that our remarks apply. We would refer to the evidence of Mr Roffey, Solicitor, who has for many years been in practice in the Assam Valley and who has an intimate knowledge of tea garden finance. On behalf of tea gardens in the Surma Valley, we have examined Rai Bahadur Nagendra Nath Chaudhury who himself is the owner of two or three tea gardens. The other body of evidence is to be found in the depositions of witnesses of various joint stock banks or loan offices in both valleys. We may cite the names of Babu Ramgopal Sen, Babu Syama Charan Datta, Mr Nilmoni Phukan, Babu Bridhu Chand Maheswari, Babu Chandra Kanta Das, Babu Upendra Nath Sanyal, Sriyut Kamakhya Ram Barua and Babu Jatindra Chandra Maitra.

In his written memorandum which precedes his oral evidence Mr Roffey has pointed out that nowadays it costs anything between Rs 1,500 and Rs 3,000 per planted acre to open out a tea garden. As a rule, it does not become a paying proposition for 6 or 7 years. Most estates, he remarks, find some difficulty in times of crisis but smaller estates are in trouble, from time to time, irrespective of any crisis. When there is a slump in tea Calcutta banks are chary of providing funds whether direct to the tea gardens or through the Calcutta agents. In ordinary times, it is frequently possible to raise money through joint-stock banks, whether located inside or outside the province, or through some local Marwari firm (though as a rule, Marwaris avoid such business). For current needs, advances are made on the hypothecation of crop. For opening up the garden, money is sometimes lent on mortgage of the land. As a rule, however, no well-managed bank will grant loans on the mortgage of the gardens, except as a collateral security. Mr Roffey's suggestion is that banks should be set up which would grant long and short term loans on the security of immoveable property and of crops. In his oral evidence, he says that such a bank must have a Government guarantee of interest. He admits that though a profit is not to be expected for 6 or 7 years promoters of small tea concerns frequently start with capital for only two or three years, after that, they have to resort to Marwaris or some Calcutta agency for funds. He adds that at present banks only lend money on hypothecation of the crop presumably for current expenses and that when tea is sold at a loss, finance must be obtained from some other source. Rai Bahadur Nagendra Nath Chaudhury thinks that if a bank is started in which shares are taken up by Government, the public will purchase shares and make deposits. He would not confine the clientele of the bank to the tea industry but would extend it to agriculturists and industrialists. It was suggest-

ed to witness that all Indian tea gardens did not start with sufficient capital. His reply was "that is the case only as regards the mushroom companies which came into existence during the last 10 or 12 years, they are started by men who were simply out to make a living and who left college getting tired of their educational life and who started on their venture without any sort of business training. They certainly did not start with adequate capital. They started with a few thousand rupees in hand, sending out canvassers, telling people about future prospects and so on. I do not believe in these companies. I mean only those who have really put in their capital and I am speaking on their behalf." He points out that in the current year Calcutta financing agents are imposing onerous conditions, *viz.*, that all accounts must be settled by the 31st December 1930, whether the tea is sold or not, and if anything remains unpaid on that date the garden property will be automatically mortgaged—whereas in previous years a lien on the season's crop was considered sufficient. We have the evidence of representatives of the Tezpur Industrial Bank and of the Dhubri Loan Office to the effect that they lent money not only for current finance but for block capital to certain Indian tea gardens on mortgage and that in several cases not only the principal advanced but the interest remains unpaid. We have carefully considered all these points, and we regret that we are unable to offer any satisfactory solution. It is necessary to distinguish finance for opening out the garden and finance for current needs, *e.g.*, payment of tea garden labour. We have no hesitation in stating that many of the smaller tea concerns have been started without sufficient initial capital. Whether it is the case of two or three individuals or of a company taking up land for opening out a tea garden, we think that there should be sufficient initial capital to open out, develop and carry on the garden until it reaches the stage of earning profits. Mr. Roffey states that this cannot be before 6 or 7 years. We think that it is the business of the proprietors of the garden—and this would of course include shareholders—not to start opening out until adequate capital has been subscribed. We admit that this is not an attractive proposition to investors, but we believe it to be the soundest course in the long run.

We agree with Rai Bahadur Narendranath Chaudhury about what he calls "mushroom companies." We could quote such cases from our own knowledge. We may here remark that finance alone is not sufficient to open out or to run a tea garden. It is not a business that can be undertaken by amateurs. It requires expert knowledge of a high order, and also the ability to manage labour. Unless a manager possesses these qualifications—and it will be worth the while of the shareholders or proprietors to remunerate his services adequately—a tea garden cannot succeed.

109. As for current finance, assuming that the capital for opening out till the profit earning stage arrives is adequate, we do not think that in normal years there should be much difficulty. If the area planted out is of a reasonable size and if decent tea is manufactured, a reasonable profit may be expected. But every now and again, there comes a crisis which may be caused by over production or by political or other causes. It would be unfair to blame Calcutta agents or brokers or banks for adopting on those occasions, a cautious policy. Those agents and banks sometimes work largely with subscribed capital or with deposits and they have to consider their obligations to their own shareholders and depositors and not run undue risks. Their aim is to make profits and if even in a time of crisis

they saw a reasonable likelihood of profit by advancing on hypothecation of crop they would probably do so. It is because they visualise the probability of a loss, instead of a profit that they are shy of making advances. There are cases, of course, where agents do make advances not with the object of making immediate profits, but with a view to ultimately becoming owners of the garden by foreclosure. We think that if a garden is properly opened out of capital account in the first 6 or 7 years and is efficiently managed and if, when the profit-making stage arrives, only moderate dividends are declared until an adequate reserve fund is built up there should not, in normal times, be much difficulty. At the same time we wish to make it clear that the prosperity of Assam is bound up with the welfare of the tea industry as regards both European and Indian concerns and that therefore it is desirable that some means should be devised of rendering it assistance in times of crisis. We believe that if gardens are started with adequate capital for opening out till the profit-making stage and if thereafter they are prudently managed, there is, in normal times, little assistance required beyond what can be secured by crop hypothecation for current needs. Nevertheless it will, we think, be conceded that when finance has to be raised to tide over a period of crisis when tea prices are so low as to entail a continued loss during the season of manufacture it is often purchased only at a heavy sacrifice, resulting in the resources of the garden being crippled for several years. We suggest therefore, that it might be possible to establish some type of industrial bank which could grant accommodation for a temporary or extended period, partly on hypothecation of crop and partly on the mortgage of the assets of the garden. In recent years the State has in many countries abandoned its former policy of *laissez faire* in favour of one of substantial aid towards industry. In Germany and Japan there are industrial banks which, we understand, receive financial aid, or at any rate enjoy a guarantee from Government. As we have pointed out elsewhere the British Government have recently by the English Agricultural Credits Act of 1928 accorded financial support to the agricultural industry. In India State aid towards the main industries has not yet taken this form but in another guise it is to be met with in the subsidy paid to the favoured Steel Industry. What we suggest is that with Government financial aid whether by the taking up of shares or of debentures, an Industrial Bank might be set up in Calcutta but not of course, for the tea industry alone. Through a branch of that bank or through an agent in both valleys in Dibrugarh and at Silchar, financial aid might be given to industries in general and in particular to the tea industry. It is far from our intention to suggest the bolstering up of unsound concerns or "mushroom companies." These lie outside the scope of our enquiry and of our recommendations.

110 Among industries, other than cottage industries, which we might refer to are saw-mills in various parts of the province—the Swedish Match Factory near Dhubri, oil mills and rice mills and a weaving factory at Sylhet worked by power. One or two of the saw-mills are financed by European capital. Smaller saw-mills are to be found in both valleys along the main rivers. The Swedish Match Factory, though the company was floated in India is, in the long run dependent on Sweden for finance. It employs about 300 or 350 workers nearly all of whom are paid piece work wages which range from Rs. 35 to Rs. 40 monthly, depending on the number of cases of matches turned out. Two-thirds of the workmen are

local people many of whom have also their cultivation for which they are granted leave at certain seasons. Sales are mostly on a cash basis. The customer sends his order to the Calcutta office which repeats it to the Dhubri factory, the latter then despatches the goods by rail, and sends the railway receipt to Calcutta. As soon as the Calcutta office receives the customer's remittance, the railway receipt is sent to him. Oil mills and rice mills are largely in the hands of Marwaris. Babu Syama Charan Datta has given evidence of the failure of a Bengali-owned rice mill in Karimganj. The weaving factory at Sylhet which manufactures uniform for Government as well as cloth for other customers, is a private concern, which was assisted by a grant from the Department of Industries.

III. *Cottage Industries.*—We would invite a reference to the first section of Chapter II in the course of which we briefly summarised the present condition of cottage industries. We expressed the opinion that those industries were not progressing. The list we gave comprises the chief cottage industries, we might add a few more. In certain villages of Sylhet we find the manufacture of wooden lacquered toys, the preparation of umbrella handles, the making of baskets, chairs and stools from canes and the rearing of poultry and goats on a small scale. There are other industries which are the work of specialists, such as the extraction of agar-oil, the making of tinware, of *hoolas* and of fans. All these are on a small scale. Shoes and leather goods are manufactured to a very limited extent. We think that there is room for an extension in both valleys of dairy farming. There is everywhere a scarcity of good milk, especially in the Surma Valley. The first essential is good cows. It is interesting to note that since May 1928 four Co-operative Milk Societies have been started in Sylhet under the auspices of the Sylhet Central Bank. Babu Brajanath Ghose, a Goalia witness has given us his experience in Cachar. Everywhere in Sylhet paddy husking is carried on by poor widows. In normal times, at least, no financial assistance is required for this. The making of bamboo mats in Karimganj subdivision is in the hands of Namasudras. It is an unremunerative business because the workmen have generally either to buy the bamboos at a high figure for cash or to take bamboos on credit with a stipulation that the bamboo mats are to be sold to the bamboo supplier or *paryadar* at lower than the market rate. Sometimes a certain quantity of mats is deposited with the *paryadar* who then gives an advance which may exceed the value of the mats, but he stipulates that any further output has to be sold to him alone, and that some mats have to be given to him gratis. These advances are allowed to hang over the mat-maker from year to year. The result is that he becomes demoralised. The *paryadar* is by no means the only middleman before the mats are exported by some mahajan in Karimganj Bazar to Calcutta where they are used for lining the holds of ships. There is also a demand for them for temporary walls, roofing of country boats, jute godowns and brick-fields. We think that the only way in which the mat-maker can escape from the predicament in which he is at present, is by organising co-operative societies. It is interesting to note that this is a family industry the men preparing the bamboos, and the women weaving mats. In Karimganj subdivision fishing nets are also made from hemp or cotton by Patnis. The price of nets is subject to violent fluctuations and as in the case of mat-making, the producer is largely in the hands of middlemen.

112. We have devoted considerable time to a study of weaving as a cottage industry in Assam. With this is connected the rearing of the various kinds of silkworms *endi*, *muga* and *pat*. In the Surma Valley weaving is of less importance than in the Assam Valley and consists mainly in the weaving of cotton articles by certain castes partly for domestic consumption and partly for sale. There is no doubt that silk weaving in the Assam Valley, so far as the articles are woven for sale, is much more remunerative than the weaving of cotton goods in the Surma Valley. As a matter of fact, however, most of the weaving in Assam Valley is for use in the house hold and no doubt there is sometimes an appreciable saving in the family budget where the women folk are industrious and especially where the *muga* and *endi* silkworms are reared on the land. Practically every house wife in the Assam Valley plies her loom but besides this weaving for domestic consumption there are the professional weavers who depend mainly on the industry for their livelihood. Many of the witnesses in the Assam Valley have described the present state of weaving spinning and silkworm rearing. We examined the Superintendent of Sericulture and Mr Sundram, the Weaving Superintendent, with a view to ascertaining the present state of the industry and the steps which were being taken to foster and improve it. We also discussed the commercial side of the industry with some weavers and Marwaris. The Superintendent of Sericulture in the meantime is devoting much attention to the rearing of the *pat* worm, which yields a very fine silk. Unfortunately there is a strong prejudice against *pat* worm rearing, as being most degrading. Some progress, however, has been made through the aid of six demonstrators, and we can only hope that their labour will bear fruit. But it is difficult to uproot a prejudice of this kind once it has taken root. We trust, however, that the prospect of material profit to the rearers may act as a solvent. There is little prejudice about the rearing of the *endi* and *muga* worms, but the *muga* worms have to be watched night and day on the *som* trees and we have been told by more than one witness that the people now consider this too much trouble though their forefathers took a pride in the task. There is no difficulty about the rearing of the *endi* worm; it can be done in-doors. Experiments to successfully rear the *muga* worm in the same way have failed. In Palasbari in Kamrup there is an organised market for the sale of *endi* and *muga* cocoons. The professional weavers of Sualkuchi in Kamrup purchase the *muga* cocoons at Palasbari and other places and weave cloth for which they find a ready market in the Gauhati Bazar. In Upper Assam there is no organised market for *muga* cocoons. The cloth woven in Upper Assam is sold to a local dealer when not required for home use. To judge from the evidence of the Marwari witness who deals in *endi* and *muga* cloths there is a good market outside Assam for these goods. The price of *endi* and *muga* cloth has greatly increased in the last ten years. The witness says there has been no decline in the production of *muga*. The Government Emporium at Gauhati plays its part in finding a market for *endi* and *muga* cloths buying them both from the middleman and from the actual weaver. When the Emporium sells the cloth the weaver receives the proceeds less a deduction of $\frac{1}{2}$ or 1 anna in the rupee. The witness points out that owing to cloth of foreign make coming on the market and owing to the competition of cheap artificial silks there is now some difficulty in disposing of Assam silk. There is, however, a genuine demand for *endi* cloth because of its lasting qualities and witness, on the whole, takes an optimistic view of the market.

113 In Gauhati in the weaving institution, weavers are trained in improved methods including pattern weaving, dyeing and printing. There are four parties which tour the province and instruct professional and non-professional weavers in up-to-date methods and also try to induce them to purchase fly-shuttle looms and jacquard machines. There are now about 3,500 fly-shuttle looms in the province, and as payment for those are usually made in cash, there is a presumption that the weavers find these looms profitable. Mr Sundram is of opinion that there is not much cotton spinning nowadays in Assam. There is little improvement in the old type of charkas. In the Assam Valley there is no difficulty in the supply of silk yarn. For good cotton yarn in both valleys the position is not so easy. The Emporium does its best to supply yarn of all kinds but its working capital is limited. The witness thinks that with a larger capital more service could be rendered to the weaver. The professional weaver of cotton cloth in Karimganj subdivision is not making the same profit as he used to two or three years ago but if he adopts improved methods he is likely to better his prospects. He works on his own capital but this is insufficient. The Department of Industries is, however, introducing improved looms on the hire purchase system through co-operative societies, and is granting industrial loans at 6 per cent interest. The Karimganj weaver finds a ready market for his cloth, though owing to competition with foreign goods, his profit is now less. If a weaver learns warp preparation and sizing, weaves finer counts and uses fly-shuttle looms his profit will be greatly increased. Mr Sundram says—"In Sualkuchi weavers earn not less than Rs. 2-8 per day. At Maulvi Bazar (in Sylhet) some of the weavers earn Rs. 50 a month. A good weaver can earn Rs. 40 to Rs. 50 a month. The Manipuris and Nathis in Cachar do a fair amount of weaving of cotton cloth, partly for sale. The floods of June 1929 destroyed many of the country looms in the district but in three months the Weaving Department was able to replace about 250 looms. It is interesting to note that in January last when the Weaving Superintendent visited the district to buy up cloth he was unable to secure any as it had been sold at the loom on the spot. This shows that there is little difficulty in disposing of the finished product. We must point out, however, that there were special circumstances as many people had lost their clothes in the floods. We drew his attention to the fact that a weaver society in North Sylhet had not been a success. The weavers had bought fly-shuttle looms but after a year they found no profit in the business. The Superintendent suggested that the weavers had not been loyal to the society, that after getting the yarn at a cheap rate they had sold it at a profit to others. He pointed out that for such societies to be a success there must be supervision, he also suggests that co-operative societies are rather shy of granting loans to members of the amount of Rs. 300 to purchase jacquard machines. The Superintendent is now making an attempt to sell looms direct to weavers on the hire purchase system. Weavers in Karimganj do obtain a certain amount of assistance from six rural societies of which they are members. Those societies, however, are ordinary agricultural credit societies, and not specially for weavers. We have received complaints that the areas on which *som* trees for rearing the *muga* worm can be planted are becoming scarcer, partly owing to the natural expansion of cultivation among the Assamese and partly owing to the taking up of forest lands for tea-gardens. It is also said that the *mejengkori* tree which

yielded a superior kind of *muga* cocoons is becoming extinct. How far these allegations represent a genuine grievance or how far they are merely a flimsy excuse for inaction we are unable to say. Perhaps the Land Revenue and Forest Departments could throw light on the question.

114 We wish to record our appreciation of the steps which Government is taking for the improvement of silk worm rearing and for encouragement of spinning and weaving on up-to-date methods with the aid of modern appliances. The Gauhati Emporium fulfils a useful purpose by supplying good yarn at a reasonable rate and by finding a market for the finished goods. We hope that those who are taught in the weaving institution at Gauhati and in the new weaving branch attached to the Sylhet Technical School will not forget their craft after they return to their villages but may be a means of demonstrating to their fellow-villagers the advantages of improved methods, without which, in these days of competition, there is little chance of the industry being remunerative. The touring weaving parties have also an important part to play. We recognise that their numbers are few and that the sphere of their operations is necessarily limited but we would impress upon them the importance of their asserting themselves and making their existence known to the villagers. If results show that there has been an expansion of weaving in places where they have worked not only among professional weavers but also among those who have adopted weaving as a subsidiary occupation, we have little doubt that Government will consider the advisability of increasing their numbers. Mr Sundram has pointed out that the working capital of the Gauhati Emporium is inadequate for laying out for purchasing cloth from the weavers and for buying yarn to distribute among them. He says that since 1920-21 the capital of Rs. 9,000 or Rs. 10,000 has not been increased. Without more capital, there is little hope of progress in this direction. We suggested to him that some of his staff might periodically tour and collect the finished goods. This he says he cannot do for want of capital. We recommend that Government should increase the working capital. We do not think that with proper supervision and proper account-keeping, there is much risk of loss. As to the benefit the weavers will derive from a judicious use of the capital we have no doubt. We agree that, as a general principle, it is not the function of Government to buy and sell goods for which there is a market but we think that, in the present case, there is ample justification for assuming this rôle. The weavers are not organised, they are not able without financial aid and advice to buy the best yarn, and are unable without assistance at present to find the most profitable market for their goods. It is desirable that the weaving industry should be encouraged and the Emporium seems to us to be an important link in the chain—at least for the present—to prove that there is some profit to be obtained for the weaver. So much for the assistance rendered by Government but there is another side of the question which has to be considered.

115 Unless the villager has the will to work, and the desire to assimilate the teaching he receives, and to put it into practice, the assistance rendered by Government is a waste of time and money. This applies not only to weaving but to all cottage industries and subsidiary occupations. For example, we have evidence from reliable witnesses that the Assamese consider it too much trouble to rear the *muga* silkworm. We have been told that it is held to be degrading to rear the *pat* worm. Others again

have given up the crafts that their forefathers practised and taken to agriculture. The Settlement Officer of Cachar, in his final report of 1918 wrote "the Naths are by profession weavers, but before the war had practically given up weaving in favour of agriculture." This was partly because agriculture was deemed to connote a higher social status and partly because there was not the same demand for the narrow-width cloth of their primitive looms. The Settlement Officer of Sibsagar in 1929 observed in his final report while discussing cottage industries "unfortunately however these specialised village industries are undoubtedly declining because a desire for higher social status leads to their gradual abandonment, since the castes of the workers mostly rank low in the social scale." He was referring in particular to potters, goldsmiths, and workers in iron, brass and bell metal and wicker articles. At the same time he noted that "it has been found in taking domestic budgets that persons having such additional means of livelihood are almost invariably more prosperous than the cultivator pure and simple."

Of course, it may be that some of the industries, owing to competition with goods imported from outside the province, are not and cannot be made paying propositions, in that case abandonment of the ancestral occupation and the adoption of some other means of livelihood is intelligible and indeed to be commended, but this certainly does not hold good of all cottage industries. Innate conservatism and failure to adopt improved methods are a great drawback. This applies not only to weaving, but to industries like pottery. The potter who brings his earthenware vessels in boats up from Bengal find a ready market, largely because he is a better craftsman than the potter in Assam. Where public opinion condemns the working in certain industries as degrading, we admit it is difficult for the villager to face the odium and social ostracism of his fellows. Only if public opinion veers round to the view that all honest work is honourable, can we hope for any escape from this impasse. In so far as laziness and indolence are causes of the decline of the cottage industries, we can only hope that increased pressure on the soil and a continued desire to maintain a higher standard of living which postulates an increase of income, will spur the villager to abandon his slothful habits. Lastly, there is a question of finance. For some cottage industries and subsidiary occupations, little capital is required but for others, financial assistance is necessary, for example, to purchase improved weaving appliances. Later on, in this chapter, we will deal with the credit facilities required.

116 *Possibilities of developing cultivation or of helping the cultivator to get a better return by the establishment of cottage industries*—We are convinced that the agriculturist could get more out of the soil than he does at present. He relies too much on natural forces. Famine, in the true sense is unknown in Assam though great distress is caused at times by floods, especially in the Surma Valley. Nature in Assam has shewn herself to be a benignant goddess, furnishing the means of subsistence to the cultivator without any great expenditure of effort on his part. As a general rule, the agriculturist in the province grows his crops for his own needs and not with a view to commercial gain. But population is increasing and pressure on the soil becoming greater. We have no doubt that, before long, the cultivator will have to exert himself more, even for subsistence purposes. The sooner he begins the better. In many parts of

the Assam Valley he has practical examples at his door in the fields of the Mymensingh settlers, of the reward of industry and unsparing toil. In many of their fields where one crop used to grow—and that largely in the nature of fluctuating cultivation—now two crops are harvested. In some parts of South Habiganj in Sylhet, the cultivators are very industrious. We have been struck, in our visits to the villages, by the large quantities of cowdung, lying unutilised and deteriorating in the sun and rain for want of a protecting cover overhead. The up-country dweller has some excuse for not making full use of this manure in his fields—a part is required for fuel. The Asamese cultivator does use a little in his vegetable garden near his cowshed, but he considers it too much trouble to carry it to his fields. Fortunately the use of improved seeds of paddy, jute, and potato is spreading but much more could be done. Floods are often a blessing in disguise, not only in bringing silt into the fields, but in leading the cultivators to take up new kinds of crops. After the last floods in the Surma Valley the Agricultural Department made every endeavour to induce the people to grow subsidiary cold weather crops, some of which had not been tried before. We hope that such crops as proved to be success will be grown in years to come whether there are floods or not. Two or three years ago when there were floods in Sibsagar, the people were induced to grow *ahu* a kind of autumn rice. We understand that the cultivators have now taken to it as a crop to be grown in normal years. Of course there are limitations to the growing of subsidiary crops. In Sunamganj where the main crop is spring rice or *buro*, it is only possible to grow that one crop. In many parts of the province there is ample room for extension of potato cultivation and for growing *pan*, c'ulis, tobacco, onions and sugarcane. The Mymensingh cultivators in Nowgong and Mangaldai have shown that many varieties of vegetables can be grown.

We have examined some witnesses of the Agricultural Department including the Director of Agriculture. We have endeavoured to ascertain what work is done by the Agricultural Inspectors and Demonstrators. It is obvious that the agriculturist requires guidance if he is to try improved seeds, to grow new crops, or to adopt new method (*e.g.*, in the cultivation of sugarcane). For this he must look to the Inspectors and Demonstrators. We have had complaints that they have never been seen in particular localities and that nothing is known of the work they do. But their numbers are few, and they cannot be everywhere. We have reason to believe however, that some of them are not ideally suited for the work they do, and that they could be more useful, if, on the occasion of their visits, they became working cultivators for the time being and themselves wielded the hoe or *kodali*, instead of delivering a professorial lecture. We think also that they might give previous notice of their visits so that any villagers who were interested might be present at the demonstration plot. At the same time, in fairness to the officers of the Agricultural Department, we should note that if the cultivator is lazy or indifferent any endeavour to improve agriculture must be discouraging and barren of results. We do not think, for example, that the indigenous cultivator in Nowgong has, to any appreciable extent, assimilated the object lesson taught him by the Mymensingh settlers. One of us who served in Nowgong some ten years ago remembers visiting a Mymensingh village where cholera had broken out. The headman of the neighbouring Assamese village was asked why there was no cholera in his village. The reply was "What can you expect of the Mymensingh people? they

start ploughing at dawn, break off for a little in the forenoon, and then resume their work with another pair of bullocks. No wonder they die if they work so hard." Comment is needless. If cultivators do not profit from the example of their neighbours, it is hardly to be expected that they will carry into practice the teaching by Government Demonstrators. It is a matter of regret that so few of the *intelligentsia* take a practical interest in agriculture. We would refer, as exceptions, to the evidence of Rai Sahib Joynath Nandi and Rai Saheb Chandra Narayan Barua. As regards the cultivator securing a better return by the establishment of cottage industries, we have nothing to add to what has been said in the preceding section.

117 *Credit facilities existing for capital and current expenditure in cottage industries and for marketing products and credit facilities required*—As regards development of agriculture by the use of improved seeds or by the growing of new crops, we do not think that ordinarily, the average cultivator borrows or requires to borrow. But there are cases where we think that the Agricultural Department might give seed on credit on condition of repayment after harvest. This would be mainly where new crops were to be tried. In times of distress, seed might be distributed through the rural societies or sold on credit to individuals by the agriculture department on joint bonds which could be made over to the revenue authorities for realisation. We have dealt with this question in the beginning of Chapter V. For improved plant for *gur* making loans might be granted under rule 26, framed under the Agriculturists Loans Act. No financial assistance is required for the rearing of the castor oil plant on which the *endi* silk worm feeds. The growing of *Som* trees on which the *muga* worm feeds and provision for nets to cover the leaves entail a little expenditure. To obtain the best results, the *Som* trees required to be renewed because old trees do not give so good leaf. We doubt however, if the Assamese rearer requires much assistance, we think that it is often his unwillingness to work rather than the want of capital that stands in the way. If, however, some help is required, we think that a small grant from the Department of Industries might be made in a genuine case.

For dairy farming in the Surma Valley, some attempt has been made to organise the industry near Sylhet town by the formation of four milk supply societies, financed by the Sylhet Central Bank. The members who are also cultivators are financed in order to buy good cows and to supply pure milk at a moderate price. They are also taught how to look after their cattle. The Central Bank arranges for the sale of milk in Sylhet on behalf of the societies. The members undertake to repay the loan in easy terms by the daily supply of milk. The idea is to have, later on, a milk union to supervise the working of the societies. The Central Bank sanctioned nearly Rs. 5,000 for financing the societies without the idea of making any profit. Government recently granted a loan of Rs. 5,000 free of interest for five years and also lent the services of the manager of the Upper Shillong Farm for organising and supervising the societies. The Central Bank charges societies 3 per cent interest and the members get loans at $12\frac{1}{2}$ per cent. We hope that it may be possible for other districts to take up work on the same lines. In the Assam Valley the Nepali and up-country graziers who conduct dairy business are large-

ly in the hands of the Marwaris for finance. We recommend that enquiries may be made as to the possibility of forming milk societies among them. There is a ready market for the products and especially for pure milk.

118 As regards weaving, we do not think any financial assistance is necessary for weaving for home consumption. Where however cloth is woven for the market, we are satisfied that some credit facilities are required. Unless the cloth is woven on improved looms, the profits, due to competition with manufactured goods brought from outside the province must be small. Cloth which has printed or embroidered designs will fetch the best price. All this requires capital expenditure for the purchase of fly-shuttle looms, Jacquard machines, and other appliances. The weaving department at present supplies these articles either for cash or on the hire purchase system and the Department of Industries issues loans on 6 per cent, interest. We recommend that these credit facilities should continue. Yarn from the emporium might be supplied for cash through the weaving parties who could take a supply with them on tour. It might also be possible to distribute it in some cases through rural societies but at a low rate of interest as a special concession. We doubt, however, whether the ordinary rural society is the best vehicle for the distribution of industrial loans either in cash or in kind. The present rate of interest is too high for this purpose—roughly 15 to 18 per cent. If goods are to be sold in the market in open competition at a reasonable profit, we do not think that the producer can afford to pay more than about 6 per cent for what he borrows for capital and current needs. The solution would appear to lie in some form of industrial society, run on co-operative lines. Such societies might also arrange for the sale of the finished product, as well as for the purchase and sale of cocoons and of yarn. They might also be the means of selling improved looms and Jacquard machines. But we recognise that caution is required in starting such societies, they are much more difficult to manage than agricultural credit societies, they require not only closer supervision but reliable men with some knowledge of business and of the markets, to run them. Assistance would probably be required from Government in the shape of a trained supervisor, as well as loans at a low rate of interest. We will revert to this topic in the chapter on co-operation. We might mention that in Bengal the Co-operative Silk Union "embrace in the scope of its operations all stages of the silk industry, from the rearing of cocoons to the marketing of the finished products and in spite of the difficulties due to the conflict with the vested interest of middlemen there appears to be a bright future before it".

Our impression is that the weaver of silk in the Assam Valley and of cotton in the Surma Valley is not to any serious extent in the hands of the middleman. The Emporium does its best to make things easy for the weaver in *muga* or *endi* but the scope of its activities is limited and we have recommended that the working capital should be increased. We have, however, evidence of a custom whereby a Marwari advances 5 seers of cocoons to a weaver for making two cloths, one of which will go to the Marwari. By this transaction, the latter gets an excessive return for granting accommodation. There may be a risk that the weaver may not return after taking the cocoons. The Nath weavers in Karimganj

subdivision are not much in the hands of the middleman. The industry is largely on a cash basis and these weavers own and manage a market for the sale of their goods. They work mainly on their capital. Assistance is, however, required to furnish them with better and cheaper yarn and improved machines. Weavers in Beanı Bazar, which is also in Karım-ganj subdivision, find a ready market for their goods. We have already pointed out that the makers of mats and of fishing nets are largely in the hand of the middlemen for the purchase of the raw material and for disposal of the goods. Attempts have been made from time to time, at least in the case of the mat-makers, to form rural societies for their assistance but with no success. The problem is a difficult one as the workers have little credit. When the staff of the co-operative department has been strengthened, we hope that some solution may be found.

119. *Part played by different classes of credit agencies.*—In our review of organised industries, cottage industries, and industries subsidiary to agriculture we have already given some idea of the part played by different credit agencies. There is little to add.

For tea-garden finance commercial banks, tea-agencies and brokers in Calcutta play an important part. The Joint-stock banks and loan offices in Assam and in Bengal occupy a minor position as regards trade finance. The Marwarı or other shop-keeper, in so far as he supplies cash in exchange for cheques, *hundis*, and drafts, performs a useful function. Practically no part is taken by Joint-stock banks and loan offices in Assam in financing cottage industries. As middlemen, the Marwarıs and *beparıs*, take some part in granting advances for cottage industries such as weaving and in the making of mats and fishing nets. Government by granting loans through the Department of Industries, is affording credit facilities through the Gauhati Emporium, and in giving loans on easy terms for the promotion of milk societies plays no insignificant role.

Especially in times of distress, the Agricultural Department does its share by supplying seeds for cash or on credit. Co-operative Societies are rather in the back ground except in so far as they issue loans to members who happen to follow some subsidiary occupation, such as weaving, in addition to agriculture.

120. *General remarks on the Departments of Agriculture and Industries.*—Before we leave the subject of agriculture and cottage industries, we venture to offer a few general remarks. Rai Bahadur Radhanath Phukan who is in charge of Agriculture, Industries, and Co-operative Societies, has said in his evidence that only about 6 lakhs or one per cent of the annual revenues of the province is spent on agriculture. We know that in a small province funds are limited and that there are constant demands for expenditure under other heads. In spite of this, we must regard the present proportion spent on agriculture as too low in a province, which is pre-eminently agricultural, though perhaps no other province is spending more proportionately. It is not our business to criticise expenditure on other heads, such as secondary education, without a knowledge, which we do not possess of all the *pros* and *cons*. A large proportion of the provincial revenues is, however, derived from the agriculturists in the shape of land revenue, and while we are not unmindful of the fact that he shares in the benefits accruing from the spread of primary education, good roads, and

medical institutions, we do think that the provision in the agricultural budget should be higher. On the matter of state expenditure on agriculture in India, Mr. Darling in his book, "The Punjab Peasant in prosperity and debt," writes — "The figures for British India are the most surprising and represent a net expenditure which is not even equal to the subsidy, which the Government of India have to pay to the Steel Industry under the Steel Industry Protection Act. Yet in India, agriculture supports 224 millions against 300,000 supported by iron and steel. Could disproportion go further?" The Province is too small to have an agricultural college of its own but we think that Government might by scholarships or otherwise, grant increased facilities to those who evince a genuine desire to study agriculture in colleges outside Assam. We invite the attention of the representatives of the people in the Assam Legislative Council to these facts, and trust that, in the interests of the toiling millions of this province, they will devise some means of securing more liberal budget allotments not only for the Agricultural but also for the Industrial and Co-operative departments. We note that there is in Assam an Advisory Board for Development which has sections for each of these departments. We welcome the fact that members of the Legislative Council constitute the majority in each of the sections. Rai Bahadur Radhanath Phukan in his evidence before us has given some instances of recommendations made by the Board which have been accepted by Government and translated into action. We are convinced that this Board could do much to stimulate the growth of agriculture, cottage industries and the co-operative movement.

We are of opinion that one and the same officer cannot be expected to manage efficiently the Agricultural, Industrial and Co-operative departments, more especially as these are progressive departments, constantly striking out new lines of development. We will revert to this question again when we consider the subject of the co-operative movement. It will suffice here to state that we recommend that agriculture should be in the hands of a separate officer who should, preferably, be an expert. The industrial and co-operative departments may, we think, remain in charge of one and the same officer.

The Director of Industries in his evidence before us has stated that Assam spends on industries, about half per cent of the provincial revenue and this, according to the witness, is more than any other province spends. We consider, however, that provision should be made for an industrial advisor to the Director. We understand that the Development Board recommended the entertainment of an intelligent officer who would be capable of organising small industries on a co-operative basis and who would be able to advise the Director on industrial matters when required. We think that for the efficient management of the department, this is essential and express the hope that Government will be able to allot the necessary funds. In 1916, the Hon'ble Rai Bahadur Kanak Lal Barua made an enquiry into cottage industries in the province and submitted a report. The report which, in some respects, may have to be brought up-to-date might profitably be studied in connection with any scheme for the development of cottage industries.

CHAPTER X

Remittance facilities and instruments of credit.

121 Use of negotiable instruments—*hundis*—According to the Negotiable Instruments Act, 1881, a negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer. It may be noted that nothing in the Act affects any local usage relating to any instrument in an oriental language provided that such usages may be excluded by any words in the body of the instrument which indicate an intention that the legal relations of the parties thereto shall be governed by the said Act. A promissory note, bill of exchange, or cheque payable to bearer is negotiable by delivery, and if these documents are payable to order, then an endorsement is required previous to delivery. Such transfers confer on the transferee a good title subject to certain conditions which need not be particularised here.

For all practical purposes a *hundi* is a negotiable instrument and passes from hand to hand. An English bill of exchange is drawn against actual goods which are in course of transmission from one place to another and so is usually a sound means of investment from a banker's point of view. On the other hand, there is nothing to show that a *hundi* is drawn against particular goods. It is often used simply for the purpose of getting advances. A Marwari who wants money can draw a *hundi* on his agent or some one with whom he has made a previous arrangement. From this point of view a *hundi* is more like a cheque than a bill of exchange in the English sense. As, however, a "cheque" is defined in the Negotiable Instruments Act of 1881 as a "bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demands," a *hundi* does, in a way, correspond to an inland 'bill of exchange'.

In the trading community in Assam, the *hundi* is the chief kind of negotiable instrument. Local merchants as well as Marwaris make use of it especially when they want to make remittances to Calcutta. It is almost invariably the *darshan hundi*, payable at sight, though as a rule it is paid on the next day after presentation, enquiries in the meantime being made as to the *bona fide* nature of the *hundi* and as to whether it is presented by a *bona fide* holder. The *muddati hundi* which is payable after a stipulated period mentioned in the body of the *hundi*—for example, 3 months from the date of drawing—is rarely used in Assam because there is no big trade as in Bengal or up-country and perhaps because stamp duty has to be paid on it which is not the case with the *darshan hundi*. *Muddati hundis* seem however to be occasionally used though we have little evidence as to this. In the joint memorandum submitted by Rai Bahadur Saligram Chuni'ial and other Marwaris of Dibrugarh it is stated "To meet their demands, the indigenous bankers issue '*muddati*' *hundis* on Calcutta firms with which they have business relationship. By issuing these *hundis* the banker gets his required amount readily and he has to repay the amount after the days for which the amount was required and which duration was mentioned in the '*muddati*' *hundi*. The drawees of such *hundis* charge a certain percentage of interest for the period for which their money is being utilised by the drawer." We have shown in Chapter VIII how *darshan hundi*s in Assam are cashed or purchased without any difficulty. They are discounted not

only by the Marwaris but with the branches of the Imperial Bank and with one or two of the Indian Joint-Stock Banks in the province. In Assam there are two kinds of *darshani hundi*—one called *Hundi Jog* and the other *Sahjog*—as we learn from the evidence of two Gauhati Marwaris—Babu Matichand Oswal and Suklal Oswal. The usual form appears to be *Hundi Jog* which is probably the same as what is known in other provinces as *Dhanjog*, i.e., payable to *dhan* or person. *Sahjog hundis* are those payable to a *Sah* or respectable person. From the evidence of Babu Lalchand Seog of Tezpur it appears that he only issues *Sahjog hundis* whereas in Gauhati, *Hundijog hundis* are in general use and when a *Sahjog hundi* is required the necessary alteration is made in the *Hundijog* form. One Gauhati Marwari witness says “*Hundijog hundis* are nominally payable to bearer but some enquiry is made, if the bearer happens to be unknown, before the payment is made. If payment is made to the bearer without enquiry no responsibility will rest on the firm making the payment.” Another Marwari witness from Gauhati states that “when a *hundi* is taken to the Calcutta firm the firm will receive the *hundi*, grant a receipt for it, and ask the man to appear next day. The firm will take his address in Calcutta and on the next day will send the *hundi* to the above address and enquire there ‘for what amount did you send a *hundi* on us yesterday?’ If the correct sum is stated in reply, the *hundi* will be left there with direction to take the *hundi* to the firm and take payment from there.” It is the custom of a merchant who draws a *hundi* on a correspondent in another place, to send him an advice note which state the name of the drawer, the amount payable, the name of the payee, and the period of usance. *Hundis* when presented are checked with the advice received. *Hundis* are very seldom dishonoured, to do so is considered a reproach to the Marwari community. The Steamer Agent at Tezpur cashes Marwari *hundis* when he has surplus cash which he wishes to get rid of. The term *hundi* is loosely applied to tea-garden cheques or drafts which the Marwaris cash though these are not *hundis* in the proper sense of the term. At Chhatak there is a kind of negotiable paper called ‘*tuka*,’ used mostly in the orange market. It can be discontinued and passes from hand to hand. It seems to be more in the nature of a promissory note. Cheques are mainly used by European tea-gardens or by firms or individuals which have dealings with Calcutta Banks. The Bill of Exchange, as it is known in the commercial world, is unknown to Assam. Money is also remitted by a bankers’ draft but only to a small extent.

122 *Use of railway receipts.*—Cases where advances are made on the production of railway receipts are very exceptional in Assam. One or two Joint-stock banks in Assam have made a beginning, but the extent of business is negligible. Sometime when a steamer bill of lading for salt comes to Gauhati, it is sold at a profit if the market price rises. Occasionally this is also done at Dibrugarh sometimes with a consignment of *dal* but generally with salt or sugar. We think that more use would be made of railway and steamer receipts on those lines. The making of advances against such receipts is, however, largely a matter of establishing confidence and this is a plant of slow growth. We are informed that sometimes railway receipts are addressed to a bank—for example, Tezpur Industrial Bank—which charges commission for remitting the cost to the exporting firm in the form of a cheque on

a Calcutta bank. This practice might be followed by other joint-stock banks. We understand that the Imperial Bank, Dibrugarh Branch, charges a commission of 6 annas up to Rs. 100 and 4 annas per Rs. 100 for any sum above Rs. 100 as collection charges

123 *Reduction of duties on bills.*—Under item 13 of schedule I of the Indian Stamp Act, Bills of Exchange including *hundis* are liable to stamp duty as follows —

- (1) Where payable on demand—nil.
- (2) Where payable otherwise than on demand but not more than one year after date or sight—at varying rates, *vide* statement on page 407 of Mr. Donogh's Stamp Act.
- (3) Where payable at more than one year after date or sight— the same stamp duty as on bonds which varies in different provinces.

It has been pointed out that the scale of duty has always been regarded by the commercial public as high and at various times representations have been made in favour of a reduction. "Self-liquidating Bills of Exchange and *hundis* drawn against goods in the last stages of production or on their way to market are a bank's legitimate investment and with a proper discount market are the quickest assets of a bank. The absence of such bills in any banking system makes really safe banking impossible, for a bank in such circumstances is left to invest its deposits in other commercial paper which is unsafe and unsaleable" Indian joint-stock banks in Assam hardly invest in commercial paper of any kind but their dabbling in investments in tea-gardens is, as we have pointed out, unsafe and therefore unsound. Under section 20 of the Indian Paper Currency Act, the Government of India have power to issue emergency currency in the busy crop season against internal bills of exchange and when this is done the Imperial Bank has to induce borrowers to convert part of their cash credit advances into bills. The proper stamp duty on the bill has to be paid by the Imperial Bank but the Government of India allow the Bank to deduct from the interest payable on the currency issued against these bills, the cost of the stamps. We only cite this to show that the Government of India themselves have felt the high stamp duty on bills to be an inconvenience. Then again, there is reason to believe that sometimes bills payable on demand or ordinary *darshani hundis* are used instead of bills payable after an interval, there being an understanding between the parties as to the time within which payment is to be made. In this way the stamp duty on *muddati hundis* is avoided. Our Marwari colleague has assured us that this is sometimes done in Assam. As "non-judicial stamps" is a provincial subject, though the right of legislation has been reserved for the Indian Legislature, some local Governments oppose a partial or total remission of duty on the ground of loss of revenue. We may note that the stamp duty on cheques has been abolished; a cheque does not usually become "stale" till after six or even twelve months from the date of issue; it is, however, payable on demand.

We have carefully considered the question of a reduction of the stamp duty on bills of exchange though we have only slender material in the

shape of evidence or practical experience to go upon. Our conclusions are as follows —

- (a) The duty on bills of exchange payable otherwise than on demand should be half the present rate when payable not more than one year after date or sight. As, in Assam, bills of exchange are practically confined to *darshan hundis* which are exempt from stamp duty, the matter is of little importance in this province
- (b) We would retain the present stamp duty on bills payable at more than one year after date or sight.
- (c) We are satisfied that most *hundis* in Assam are *darshan hundis* and that *hundis* payable at more than one year after date or sight are unknown
- (d) We are of opinion that the abolition or reduction of duty on bills of exchange need not affect the duty on bonds which are in a different class and which do not directly foster trade or promote sound banking nor are they negotiable
- (e) In Assam the loss in revenue resulting from our recommendation at (a) will be negligible. The total sale of *hundi* stamps in the province in 1928 was only Rs 227

124 *Need for bearer hundis amendment of the Negotiable Instruments Act* — In 1929 a bill was introduced in the Legislative Assembly to amend the Negotiable Instruments Act of 1881. The reasons for the bill are to be found in the 'Statement of Objects and Reasons' which we quote :—

"The object of this bill is to amend the Negotiable Instruments Act, 1881 (XXVI of 1881), so as to provide that negotiable instruments including cheques and bills of exchange, which are expressed on the face of them as drawn to bearer, shall not, in any circumstances, lose their character as bearer instruments on account of their having been indorsed. The necessity for the amendment has arisen out of a ruling by the Bombay High Court that under section 50 of the Negotiable Instruments Act, 1881, and the explanation thereto a bearer bill can be legally changed to an order bill by endorsement. This makes it incumbent upon banks and business houses to examine all endorsements upon bearer instruments, as the character of an instrument, which is payable to bearer in the first instance, can be effectively altered by any subsequent endorsement and thus throws considerable extra work and responsibility on banks and commercial houses without any compensatory advantage to their constituents or to general public

Under section 13, Explanation (ii) of the Negotiable Instruments Act, a bill indorsed in blank is payable to bearer, but under section 49 of the same act the holder by writing a direction above the indorser's signature may convert the indorsement in blank into an endorsement in full. These provisions under which an order bill which has become bearer may be re-converted into an order bill, will be retained"

Prior to the ruling of the Bombay High Court, the ordinary banking practice in India was to treat all negotiable instruments expressed to be payable to the bearer as negotiable by delivery in all circumstances, no matter whether they bore any endorsement or not. This seems to have been in accord with banking and commercial practice in England, it is a

moot point whether this was in conformity with English law. Against the bill for amending the Negotiable Instruments Act, it was argued that the holder of a *hundi* or cheque payable to bearer should have a right to protect himself against theft of the document by making it payable to order. It was pointed out that the system of remitting by *hundis* was of long standing, has stood the test of time and had proved of great service to the Indian Commercial public. Frequently, instructions are written on the face of the *hundis* regarding the method of payment. The proposed amendment Act would fail to protect the salutary nature of this practice. The holder of a cheque, on the other hand, would be able to secure its safety by crossing it. It was further suggested that the matter might be examined by the Banking Enquiry Committee. In this connection another question was raised. Is it necessary to create by law a type of instrument which, being originally drawn payable to bearer, will always remain so payable? We find it difficult to advise as we have no first-hand knowledge of existing commercial or banking practice in this particular matter. In Assam we think that the question is only of practical importance in so far as *hundis* are concerned. The bill for amending the Negotiable Instruments Act of 1881 might or might not affect *hundis* a reference to the preamble of the Act will show that it would depend on what was the local usage as regards *hundis*. Assuming, however, that *hundis* would be covered by the amending Act, we are of opinion that nothing should be enacted which would upset the existing practice by which the commercial community ensure the safety of their *hundis* by writing specific instructions on the face. There is nothing to show that the practice has not worked well in the past—rather we believe the evidence is to the contrary, if this is so, there seems to be no reasons for making any change in the absence of an expressed wish on the part of the commercial community for alteration. In short, we would exclude the *hundi* from the operation of any measure such as the amending bill which was introduced last year. As to whether there is any need for a special type of *hundi*, drawn to bearer, and which would always remain payable to bearer, irrespective of any endorsements, we are not in a position to express an opinion. This is a matter on which the commercial community in large trading centres in India are best fitted to advise. We are inclined to think however, that it may be expedient to create a type of cheque which being originally drawn payable to bearer, will always remain payable to bearer. Any one who did not wish to use this special form would be at liberty to use any other form which he thought would give him better protection or could cross a cheque.

125. *Standardisation of Bills.*—The question of the standardisation of *hundis* is connected with the previous section. One characteristic of *hundis* is that they contain expressions of greeting and salutation and various repetitions which seem somewhat out of place in a business document, we have no knowledge as to whether this has proved any handicap in their use, probably not. At the same time we think that the multiplicity of scripts in which *hundis* are written must prove something of a drawback in their free circulation and negotiability in all parts of India. In 1925, a suggestion was made by Sir Basil Blackett about "a standardised bill of exchange printed on Government stamped paper both in English and the principal commercial vernaculars or at least the principal commercial vernaculars of particular provinces with blank

spaces for the names of drawer and the acceptor ... It would be a bearer bill of exchange and it would be definitely laid down in the Negotiable Instruments Act that it could not be made payable to order any more than a Government currency note " We do not know how far there is any demand for a standardised form of *hundri*. Our Marwari colleague has no objection to this proposal but he questions if it will be much use. We think, however, that the result would be an increase in the number of *hundris* which would have widespread circulation throughout India. The Bazar would be brought into closer touch with indigenous banks which would readily discount such bills particularly if they bore documentary evidence in the form of invoices or sale contracts in respect of the goods for which they were drawn. There would be increased mobility of credit and a beginning might be made of an organised money market which does not exist at present. The banker would find in a portfolio of good bills of exchange a much more liquid and profitable investment for his funds than is, at present, the case.

126 *Other means of remittance*—So far we have dealt mainly with cheques and *hundris* as a means of remittance. Other forms are supply bills and currency telegraphic transfers, money orders with their counterpart in the form of value payable post, transmission of notes by insured post, and cash. We do not include remittance transfer receipts as they are confined to remittances on Government or *quasi*-Government business. Supply bills do not appear to be very popular with the mercantile community especially among the Marwari. More than one witness has pointed out that there is sometimes delay in getting them from the Treasury which tends to give preference to other transactions connected with Government business. We are unable to say what measure of truth there is in this allegation. Where we have questioned a Treasury Officer on the point, we have been met with a denial. As a matter of fact, we think that the real reason why more use is not made of supply bills is that merchants often find it easier and cheaper to purchase *hundri*. In a case where a merchant has any reason to complain of lack of prompt service we recommend that he should bring this personally to the notice of the officer in charge of the Treasury. The telegraphic transfer mode of remittance is usually employed when large sums of money have to be sent urgently from Calcutta to Assam. The charges for supply bills are—for Rs. 10,000 and over—1 anna per cent. for amounts under Rs. 10,000—2 annas per cent. The minimum amount which can be remitted by a supply bill without special sanction is Rs. 1,000, and the bill must be in even hundreds of rupees. Telegraphic transfers are issued in even thousands of rupees at the same rate as supply bills *plus* the cost of telegram, subject to a minimum of Rs. 5,000. The recommendation we have to make is that the rate for both supply bills and telegraphic transfers should be reduced to 1 anna for sums of Rs. 5,000 and over. Every facility should also be afforded for remitting by supply bill to places outside the province.

The commission on money orders is one per cent. At present the commission on sums under Rs. 10 is 2 annas. Some years back, the charge for a sum up to or including Rs. 5 was one anna. In the interests of the poorer classes who have to make remittances we recommend that the one anna rate be re-introduced for such sums. One of our members suggests

that no change be made in the rate for sums under Rs 25 except for sums of Rs 5 and under but that for sums between Rs 25 and Rs 50 the commission should be 6 annas, from Rs 50 to Rs 75, 9 annas and from Rs. 75 to Rs 100, 12 annas while for sums over Rs 100, the charge should be 2 annas for every Rs 25, *i.e.*, half the present charge. We think that some reduction is desirable in order to popularise transmission of petty sums by this method of remittance which is used mainly by people of small means. We should note that an illiterate person who uses the money order system has, in addition to the regular commission fee, often to pay one or two annas to the writer of the money order form. The literate classes can write out the forms themselves. So the burden on the poor man for remitting a trifling sum is heavy. We cannot make any precise recommendation as to the amount of reduction as we do not know what allowance would have to be made for the cost of remittance by the Post Office of cash from one office to another to enable money orders to be paid. A similar reduction is advisable for value payable post fee.

127 A considerable volume of remittance takes place through Insured Post. One common grievance is that the person who wishes to send notes by insured post has to dance attendance at the post office for a long time before the business is completed. There is a similar allegation as to the time taken to send a money-order. This, no doubt, is partly true, but there is apt to be an rush at certain hours and the postal clerk has to observe certain formalities as to entries in various registers. We think that these formalities cannot be safely dispensed with. We have had complaints of envelopes presented for insurance, being returned more than once to the sender before they were accepted on the ground that they are not properly sealed. We admit that this is annoying but at the same time, we think that in the interests of all concerned, strict compliance with the post office rules in this matter is essential. We believe that if the rules were relaxed thefts of insured articles would be facilitated with the result that the Postal Department would have to pay large sums as compensation. One consequence of this would be that the rate for insurance would have to be increased. The cutting of half-notes while not altogether prohibited by Currency Notes (Refund) Rules is discouraged by making it more difficult to get refunds in case the notes are lost in the post. Despite this fact many merchants do make remittances in half notes and usually the second halves are not sent until advice is received of the safe arrival of the first notes. It is also a common practice to insure each bundle of half notes for Rs 50 whatever the quantity and denomination of the notes may be. Many people think that it is safer to transmit half notes rather than whole notes. There is much to be said in favour of this practice. In this connection we would invite a reference to the evidence of Babu Kanhyalal Agarwala of Shillong. He says "as regards remittances from Shillong it is now difficult to get Government currency notes for cash from the Imperial Bank. Previously we used to get such notes from the Treasury. It is a great hardship to the Marwari traders now. We, however, get cash for Government currency notes from the Imperial Bank. We may get supply bills for any amount on payment of the usual rates. If we can procure Government currency notes, we make remittances to Calcutta in insured covers in half notes. Government currency notes of higher denomination than 10 rupees are difficult to obtain from the

Imperial Bank. We also like sending Government currency notes to Calcutta instead of making remittances through supply bills." The Imperial Bank agent who was interviewed, explained that he was not bound to supply notes of high denominations and sometimes sufficient were not available but that he did his best so far as he could to accommodate the public. He did not recollect having received any complaint from this witness. We accept the explanation as reasonable.

PART III

CO-OPERATION.

CHAPTER XI.

Introductory.

128. In the course of our tour, we have paid special attention to co-operative institutions. As stated in Chapter I, we inspected the books of all the Central Banks, except one, and also of several Rural Societies and Co-operative Town Banks. We have examined several witnesses who take an active interest in the welfare of the co-operative movement. We have also recorded the evidence of officials such as the Registrar, the two Assistant Registrars and the Provincial Auditor. The Government of Assam have asked for our advice on certain questions. The following extracts are taken from the Report on the working of the Co-operative Societies in Assam for the year ending the 31st March 1929. "The maladies affecting the working of co-operation in this province will, however, form a subject for study by the Provincial Banking Enquiry Committee which has been appointed in the current year, and it may be hoped that the lines of action for the future will be clearer after their report has been received"—"The Registrar has put forward proposals for strengthening the inspecting staff and relieving it for the more important work of organisation and education by the creation of a separate staff to conduct original audit. The need for an increase in the inspectorate must be recognised but the Governor and his Minister have regretfully decided that consideration of the Registrar's proposals, as an interdependent system, must await publication of the report of the Provincial Banking Enquiry Committee, on the basis of which, it is hoped, a system suited to provincial conditions may be devised"—"A set of rules framed by the Registrar for the better organisation of the department generally and for the establishment of better control over the movement is now under consideration. The Registrar also intends to summon a conference of representatives of the Provincial and Central Banks to compose differences which have arisen between them in matters of finance. It would be useful if this conference could be held at a time when other matters concerning the relations of the Central financing societies *inter se*, and with the primary societies emerge as a result of the Provincial Banking Enquiry Committee's deliberations." These considerations and the great importance which we attach to the co-operative movement from the point of view of agricultural finance will, we hope, justify the time spent by us in investigating various phases of the movement and the somewhat detailed nature of this chapter. We should note that the land mortgage banks in this province are registered under the Co-operative Societies Act (II of 1912). These have been discussed fully in Chapter VI and will only be touched upon incidentally in the present chapter.

129. The co-operative movement in Assam began with the establishment of 10 societies in 1904-05. From 1st April 1905 till 31st March 1912 Assam formed part of the province of Eastern Bengal and Assam. The MacLagan Report which reviewed the progress of the co-operative movement in all provinces of India was published in 1915. It will be convenient to summarise the growth of the movement in Assam from

1915-16 up to 1928-29 In 1915-16, there were 285 agricultural societies with 15,792 members and a working capital of Rs. 3,95,185. By 31st March 1929 there were 1,234 such societies with 53,055 members and a working capital of Rs 25,98,460 It will appear therefore, that in the last 14 years, the progress in the growth of agricultural societies, as evinced by statistics, has been considerable Up to 1923-24 the growth was gradual. From that year these societies increased more rapidly—at the rate of about 100 or 120 annually. In 1923-24 there were 642 societies with 28,420 members and a working capital of Rs 9,77,578. In the quinquennial period ending 31st March 1929, the number of agricultural societies and of members had almost doubled while the working capital had increased by about 280 per cent In 1915-16 the working capital was Rs 25 per member In 1928-29 it was about Rs 49

As regards available finance this shows distinct progress All the agricultural societies are in the 8 plains district of the province—2 in the Surma Valley and 6 in the Assam Valley—In the Surma Valley the average membership of an agricultural society in 1928-29 was 27, the corresponding figure for the Assam Valley was 59 In its report of 1927-28 the Madras Committee on Co operation gave the following figures of average membership in some of the major provinces —

Bengal ...	25
Bombay	66
United Provinces ..	24
Punjab	27
Central Provinces and Berar	15
Madras ..	53

The number of societies in each Valley is approximately the same, viz., 625 in the Surma Valley and 607 in the Assam Valley An important point is the proportion of members of agricultural societies to the total rural population Taking the census figures of 1921 for the plains districts of both Valleys and excluding the population living in tea-gardens and in towns, we arrive at the following results —

	Proportion of members of agricultural societies to total rural population
Surma Valley	64 per cent
Assam Valley	11 per cent
Plains districts of both Valleys ...	92 per cent.

If we take each individual member as representing a family of five the Registrar is probably not wide of the mark when, in his evidence he states that the movement reaches about 4 per cent of the population. It is true that he was taking into account all kinds of co-operative societies with reference to the total population of the province, but as most of the societies are agricultural, the calculation is sufficiently accurate for all practical purposes. We should point out, however, that our figures are based on the population as shown in the census of 1921. In the interval the rural population has greatly increased, especially in some districts of Assam Valley, and the ratio would be lower than that shown by our figures We possess no up-to-date information showing how far the co-operative movement has reached the people in other provinces. In the report of the committee on co operation in Madras (1927-28) we find the following figures worked out for 1925-26 on the basis of the population

figures of 1921 "On the assumption that a member of a co-operative society represents a family of five people, the following is the percentage of the population touched by the movement in each of the major provinces of India —

Madras	..	9 00
Bombay		11 60
Bengal	...	4 95
Behar and Orissa	..	3 20
United Provinces	.	1 85
Punjab	...	10 40
Burma	..	5 55
Central Provinces		5 45

130 The agricultural societies are all credit societies except one in Sylhet and one in Nowgong which are classified as production and sale Societies of limited liability. The remaining 1,232 agricultural societies are all of unlimited liability except 11 small societies of limited liability in the Surma Valley. These 1,232 societies are popularly known as rural societies or rural banks. The following table will show how the working capital is made up —

—	Share capital paid up	Loans and deposits held on 1st March 1920 from —			
		Members	Non members	Societies	Provincial and Central Banks
1	2	3	4	5	6
Surma Valley	P- 87,000	Ls 20,994	Rs 20,100	Rs 6,710	Rs 7,51,682
Assam Valley	408 6	2,11,16	1,72,227	11,621	7,30,310
Total	1,23,791	2,32,162	2,00,300	18,433	11,87,992

Loans and deposits held on 31st March 1920 from —

—	Government	Peonage fund	Working capital	No. of societies	No. of members
	7	8	9	10	11
Surma Valley	Rs Nil	Rs 2,06,808	Rs 11,63,288	625	17,177
Assam Valley	Nil	2,62,127	11,31,617	607	35,717
Total	Nil	5,18,935	25,87,905	1,232	62,894

The most striking feature of the statistics of working capital is the small amount of deposits in the Surma Valley societies as compared with those in the Assam Valley — Rs 20,994 as against Rs 2,11,468 — roughly one-tenth. In view of the fact that membership in the Assam Valley is about double that in the Surma Valley, it would naturally be expected that the deposits in the former Valley would be greater but not to the extent that the figures disclose. The chief reason is that the members of the Surma Valley societies are, for the most part, Muhammadans who do not make deposits for earning interest. We also think that another explanation, though of minor importance, is that the agriculturists in the

Surma Valley are less prosperous and have fewer savings to deposit. There is a similar difference though not quite so pronounced, in the deposits from non-members. On the other hand, the paid share capital in the Surma Valley societies is more than double that in the other Valley. Borrowings from the Provincial and Central Banks are about equal in both Valleys, as also is the case with the reserve fund. It may be noted that the reserve fund has been included in the working capital because as a rule, in Assam, it is in rural societies utilised as part of the working capital—The average working capital per member works out at Rs. 67 in the Surma Valley and Rs. 40 in the Assam Valley. The average per member in both Valleys is Rs. 49. We believe that the average indebtedness of the agriculturists is appreciably greater in the Surma Valley and it is all to the good that the finance available for each member is also greater. But, at the same time, there can be no doubt that the amount available, in both Valleys, is considerably less than what is required, and if we take into account the comparatively small proportion of the total agricultural population connected with these societies, we can only conclude that at present agricultural societies in Assam do not finance agriculturists to any marked extent. In the course of 1928-29 the amount lent by the rural societies to members was Rs. 7,93,788 for the province of which Rs. 3,69,887 was distributed in the Assam Valley and Rs. 4,23,901 in the Surma Valley. This means a loan of Rs. 15 per member in the province but of course all members did not borrow. Loans are generally repayable in 3 years, but this term is frequently prolonged in practice without any formal extension by the society.

131 If the loans were repaid punctually as regards both principal and interest, members could obtain much more financial assistance than at present but unfortunately overdues are very heavy. To quote from the Registrar's last report, "The loans due from the individual members at the close of the year stood at Rs. 21,52,089 of which a sum of Rs. 9,19,930 or nearly 42·7 per cent, was overdue as against 35 per cent in the preceding year." We consider that nothing hampers the working of the societies more than the unpunctuality in repayment by the members. It is obvious that if the loans do not come back they cannot be given out. It is this more than anything else that leads to stagnation. Without punctuality in repayment there can be no real development. Some districts have an unenviable reputation in respect of overdues. From statement B in the last annual report showing the loans due by individuals and the overdues, we have worked out the following percentage of overdues (principal) —

Cachar	.	...	..	32
Sylhet	.	.	..	35
Lakhimpur	.	.	..	73
Sibsagar	.	..	...	59
Nowgong	..	..	...	36
Darrang	..	.	.	50
Kamrup	...	.	.	50
Goalpara	.	.	.	33

The Registrar in his evidence states that he is unable to furnish the figures for overdue interest. We have no doubt, to judge from our inspections of the rural societies, that the percentage must be high.

132 We turn now to the non-agricultural societies. These are all of limited liability and are classified as *credit*, *non-credit* (purchase and sale) and *others*. The non agricultural credit societies include the land mortgage banks in the Province. We suggest that these banks might be more properly classed as agricultural as is done in the Punjab and in Bombay, but the Registrar could probably justify his present classification on the ground that up to 1928-29, the bulk of the loans had been given to non-agriculturalists.

In 1928-29 there were 47 credit non-agricultural societies many of them being urban banks. These societies also include several, the membership of which is confined to Government employees only. Of the 47 societies 18 are in the Surma Valley and 29 in the Assam Valley, 11 of which are in Shillong the headquarters of the province. The total membership was 9,382. The following table will show how the working capital is made up —

	Share capital paid up	Loans and deposits held on 31st March 1929 from—						
		Members	Non members	Societies	Provincial or Central Bank	Government	Reserve fund	Working capital
1	2	3	4	5	6	7	8	9
Whole Province	Rs. 2,92,718	Rs. 4,71,831	Rs. 7,31,150	Rs. 12,611	Rs. 27,512	Rs. 63,000	Rs. 1,18,176	Rs. 17,21,323

We may note the large proportion of the working capital which consists of paid up share capital and deposits from members and non-members. The Government loans to the land mortgage banks account for the bulk of the Government contributions. During 1928-29 loans of Rs. 6,45,952 were issued to members. On the 31st March 1929 the loans due by members amounted to Rs. 14,52,556 of which Rs. 2,62,802 or about 18 per cent was overdue as against 14.30 per cent in the previous year. This is a great improvement over the 47.2 overdues from agricultural societies. As regards progress since 1913-16, there were in that year 18 non-agricultural credit societies all of limited liability, except 2. The membership was 1,638 and the working capital Rs. 1,74,077. Mention is made in the report in that year of a Dairy Stores and a few weavers societies but statistics are not given, the Registrar remarking that as such societies require far more supervision in the initial stages than the ordinary agricultural society, he had refrained from registering any more of this type. We may take 1923-24 as another starting point. In that year there were 27 credit non-agricultural societies with 5,135 members and a working capital of Rs. 8,58,014. Rapid progress has therefore been made in the past quinquennium though not to the same extent as in the case of agricultural societies. The field for such non-agricultural, mainly urban, societies is much more limited. In 1928-29 there were 20 non-credit (purchase and sale) non agricultural societies with 2,475 members and a working capital of Rs. 1,11,833. The figures for 1923-24 are 16 societies with 2,125 members and a working capital Rs. 1,20,048. This marks

little advance, indeed the working capital is less now than it was 5 years ago. The profit and loss account of the societies in 1923-24 showed a credit balance of Rs. 2,599. In 1928-29, the profit was Rs. 4,759. In 1927-28 there was a loss of Rs. 3,002. The Registrar in the last report remarks that "the co-operative stores are not thriving and some of them are still working at a loss". We may state here that non-agricultural societies finance traders and industrialists only to a very limited extent. Some of the co-operative town banks do issue loans to assist traders but only on a very small scale. Cottage industries such as weaving are financed rather by agricultural societies of which the weavers happen to be members rather than by non-agricultural societies which, in some other provinces cater for such needs.

133 There were in 1928-29, 15 Central banks for financing rural societies. All of these, except two, had their offices at district or at subdivisional headquarters. Of the 15, 5 were in the Surma Valley and 10 in the Assam Valley. The following table will furnish the necessary statistics —

	Number of members		Number of affiliated societies holding shares		Loans made in 1928-29 to societies	Loans due from societies
	Individuals	Societies	Agricultural credit	Non agricultural credit		
1	2	3	4	5	6	7
					Rs	Rs
Surma Valley	219	500	520	5	3,00,037	7,62,317
Assam Valley	237	502	490	0	1,77,066	7,02,536
Province	456	1,031	1,010	14	4,78,023	14,64,853
	Share capital paid up	Loans and deposits held on 31st March 1929 from—			Reserve and other funds,	Working capital
		Individual or other source	Societies,	Provincial or central bank		
	8	9	10	11	12	13
	Rs	Rs	Rs	Rs	Rs.	Rs
Surma Valley	87,595	5,79,921	72,215	1,00,118	26,553	8,05,810
Assam Valley	68,002	1,98,055	27,011	1,00,112	40,501	7,42,912
Province	1,55,616	10,77,976	99,226	2,38,860	66,054	16,38,752

Points to be noted are the larger volume of deposits from societies in the Surma Valley the greater reserve fund in the Assam Valley, and the extent to which loans were given out in the Surma Valley in 1928-29 for which doubtless the floods were mainly responsible. In 1915-16 there were 10 central banks, including the Pioneer Bank in Shillong, but only 95 affiliated societies held shares and only in 6 of these banks. The total working capital was Rs 3,29,275. It should be noted, however, that at that stage the Silchar and Sylhet Town Banks used to lend to rural societies prior to the establishment of central banks in these districts. The history of the Pioneer Bank has been briefly sketched in Chapter VI in the discussion on land mortgage banks. About half the loans issued by these banks in that year were to individuals. At the present time loans are issued only to societies. These banks in 1915-16 were still in an experimental stage. The table of central banks for 1923-24 is rather confusing. It shows 18 Central banks, but includes in addition to the present 15 Central banks, the Provincial banks, the Pioneer bank, and the Cachar co-operative town bank. The Pioneer bank in that year made no loans to rural societies and the Cachar town bank lent only Rs 6,000 to societies. The Provincial bank will be discussed separately. Excluding these 3 banks, there were 15 Central banks in 1923-24 with 440 affiliated societies holding shares and with a working capital of Rs 4,01,958. In the five years ending the 31st March 1929 the working capital of Central banks has increased from Rs 4,01,958 to Rs 16,38,752 while the reserve and other funds have increased from Rs 9,933 to Rs. 65,954. We have not been able to obtain from the Registrar the amount of principal and interest overdue from rural societies to Central banks, but our inspection of Central banks showed that in some cases they were heavy.

134 The Provincial co-operative bank of Assam was established after the close of the year 1920-21 with an authorised capital of five lakhs. Government assisted it with a loan of Rs 25,000. In 1923-24 its working capital was Rs 1,58,157. At this stage it was financing not only 15 Central banks but several rural societies which were not affiliated to any Central banks. In that year it drew from the public in deposits Rs 32,958 and Central banks and rural societies deposited their reserve funds to the extent of Rs 29,327. The loans issued amounted to Rs 60,540. Fourteen non-agricultural credit societies were also affiliated to the Provincial bank. In 1928-29, 15 Central banks and 15 non-agricultural credit societies were affiliated to it. It received Rs 1,03,026 in deposits from individuals and other sources, Rs 28,250 from Central banks and Rs 6,016 from primary societies. Its working capital stood at Rs. 3,87,420. The bulk of this capital was made up of Rs 80,500 paid up shares and Rs 2,44,702 loans and deposits from individuals and loans from other sources such as banks outside the province. At the end of the year the closing balance of the bank in the Post Office and the Imperial Bank was Rs 51,029. Besides this it held Government securities and postal cash certificates of the face value of Rs 47,870. During the year it issued loans to the amount of Rs. 1,41,200. The loans outstanding at the close of the year were Rs 3,00,894 of which about 15 per cent was overdue. The net profit was Rs 7,986 as against Rs. 5,340 in 1923-24.

In the last ten years average number of liquidation cases pending ranged from 50 to 60. The figures for the last four years are —

	Registration cancelled	Liquidations completed	Liquidations pending
1925-26	13	16	50
1926-27	15	13	49
1927-28	19	9	59
1928-29	15	14	60

135. As regards Government expenditure on the movement in 1928-29 the Registrar states that it amounted to Rs 95,460. Taking 66,995 as the total number of members of co-operative societies this presents an expenditure of Re 1-6 9 per member.

The Madras report gives the figures of expenditure per member in the major provinces as follows for 1926-27 —

	Rs	a	p
Madras	0	14	2
Bengal	1	0	0
Bombay	1	0	7
Punjab	1	11	9
Central Provinces	1	6	5
United Provinces	0	13	3

The Registrar has further stated that "as regards expenditure in other provinces in the co-operative department, this expenditure varies from 9 pies per head of population in the Punjab, 5½ pies in Bombay, 3½ pies in Madras, 1½ pies in Bengal and 2 04 pies in Assam."

The official staff of the co-operative department consists at present of one Registrar who is also in charge of the departments of Agriculture and Industries, two Assistant Registrars, one Provincial Auditor, two Divisional Auditors and eleven Inspectors. In 1925-26 the department was in charge of the Registrar who had also the excise and certain other departments, an Assistant Registrar, one Inspector, four Inspecting clerks in upper Assam, and one in South Sylhet. In 1932-34 the Registrar was also Director of Industries. Government thought it advisable that the post of Registrar should be amalgamated with that of the Director of Agriculture so that the efforts of the two departments might be co-ordinated. He was relieved of certain sundry duties, e.g., the charge of joint-stock companies, etc. In that year beside one Assistant Registrar and a Provincial Auditor, there were six Inspectors. Previous to this in 1921-22 three district Auditors were entertained, mainly for the audit of the accounts of rural credit societies. These were abolished in 1923-24 as a measure of economy. The staff of Inspectors was augmented from time to time in subsequent years, and a second Assistant Registrar was appointed in the beginning of 1928-29.

136 *Existing difficulties and defects and how to remove them.*—In pointing out the defects which have come to light in the course of our inspections and which have been indicated by the witnesses, we will deal in turn with Rural Societies, Central Banks, the Provincial Bank and the official staff.

We begin with the rural societies. Unless these are properly organised and soundly managed the whole co-operative movement must be more of a sham than a reality. We have found that many of these societies were not properly organised from the beginning. The members—and this is true of the majority of societies—have no understanding of co-operative principles. All that the rural society means to them is that it is a bank, somehow or other connected with Government, from which they can get money at a cheaper rate than from the money lender or Mahajan, that there is no particular hurry in repayment and that it does not matter much if they utilise the loan for some purpose other than that for which they professedly took it, that there is no reason why they should work harder, be more thrifty, or spend their money more carefully than they did before they became members. We admit that there are honourable exceptions, but we think that what we have said would apply to most societies in Assam. Most of the proposals for new societies are sent up by Honorary Organisers who may or may not be connected with the Central banks. Some villagers who have somehow or other got to know about rural societies elsewhere put their heads together and a deputation is sent usually to the local Honorary Organiser. He either goes himself or asks the Inspector of Co-operative Societies or a Central Bank Supervisor to go to the village. The objects of the co-operative movement are then explained to the villagers including the meaning of unlimited liability. As a rule, enquiry is made as to whether there are in the village individuals fit to act as Chairman and Secretary. If not already done, during the visit of the Honorary Organiser or Supervisor or Inspector a *Haislat* or statement showing the debts and property of the intending members is drawn up and its correctness tested. If everything appears to be in order an application is then sent up for registration, this is forwarded to the Assistant Registrar who consults the officers of the Central Bank as to whether they will affiliate the proposed society with the bank and finance it. If the Central Bank agrees to do so, the Registrar almost invariably sanctions registration. An application is then made to the Central Bank for a loan and the practice in some Central banks is to send the Supervisor to be present at the distribution of the first loan. As a rule, after this, the society is left to look after itself, and subsequent visits of the Honorary Organiser are the exception. Sometimes rural societies are also organised by the Co-operative Inspectors. The societies receive an annual visit from the Inspector when he comes to audit the accounts but, as we will indicate later on, the pure mechanical duties of audit fully occupy his time and it is not possible for him to conduct much propaganda or education work. The Supervisor of the Central Bank usually visits once or twice a year mainly to see about the distribution of a loan or to remind the office bearers that some repayment to the Central Bank is overdue. He has probably more time than the Inspector for education work but frequently is untrained and has little knowledge himself about co-operative principles. One or two of the office bearers of the rural society have occasionally some idea of the theory of the co-operative movement but they seldom put it into practice or make any attempt to instruct the other members. As most of the members are ignorant and illiterate, and have, at the start of the society, only listened to the exposition of some general principles which they cannot be expected to understand, it is not surprising that such rural societies are anything but co-operative in nature.

137. The key to the situation lies largely in the spread of primary education. With this, the ignorant villager will be able, at least in some measure, to grasp something of what a rural society means, the work that it can do for him and the part that he himself must play. At present, he does not understand these matters. At the same time with better education he will be less liable to be victimised by the Mahajan or money-lender. We admit that there are shrewd villagers who even without any primary education can be useful members of rural societies, but they are the exceptions. It is likewise true that even, with primary education, we will have backsliders who will look to their own interests rather than to that of the society, but such can be told that they are not wanted, and will lose their membership unless they mend their ways. But it will take a long time for primary education to permeate the villages, and extension of rural societies cannot be postponed till then. This means that the task of organisation under present conditions is rendered more difficult, and therefore requires more time and trouble on the part of those who organise societies. The official staff is insufficient at present and the number of Honorary Organisers or non-officials who are really keen to assist in the promotion of the co-operative movement is woefully inadequate. We mean to make certain recommendations for an increase of staff so as to afford time to the Inspectors for education and propaganda work, but without the assistance of non-officials work must be greatly restricted. In the Surma Valley, there are at present four Honorary Organisers, in the Assam Valley there are fewer. One or two of them have thrown themselves heart and soul into the movement but they have their own work to do and it is not possible for them to tour about, and spend time in repeated visits to villages. We will touch on the matter of Honorary Organisers later on, but it will suffice to say here that far more of them are required if the co-operative movement is to extend on sound working lines.

138. We are inclined to think that too many societies have been registered in the last few years without proper preliminary enquiries and propaganda work. It would probably not be far from the truth to suggest that some who have organised rural societies have had an eye more on numbers than on quality. Organisation work requires unlimited patience and we do not think any one should attempt to organise rural societies who is not prepared to sit down in some place in the village, become one of the villagers for the time being, and talk about their crops, their debts, and their difficulties. He ought to allow time for them to think over the matter, and on his second visit he can decide whether a society should be registered or not. It should be explained to the would-be members that it is useless to allow any one who is hopelessly indebted to join the society, and that it is incumbent upon the members to see that any borrower from the society utilises the loan for the purpose for which it is given and should punctually pay it back. Unless the money is paid back there will be no more money to give out, for the central banks, in their turn, cannot lend unless they are repaid by the rural societies. It should be pointed out that unless the members try to improve their own material condition by working hard and by saving any surplus instead of spending it, they will benefit in no wise by joining the society and had better stay outside it. It is most important that the members should understand that they and not the chairman and secretary or other office-bearers, are the masters of the situation and that they have full power to replace them by

others if they do not give satisfaction. It may be suggested to them that if they can combine for some religious need such as building a mosque, or, in the Assam Valley, for building a *namgha* or celebrating some *bhavana*, they can combine or co-operate equally well for running a rural society. We admit that it is easy to express these truisms in writing but extremely difficult to translate them into practice. But it is because we believe that insufficient care in the organisation of rural societies at the very start is the main cause of subsequent bad working and is responsible for most of the defects that we have thought it necessary to dwell at some length on this matter.

139 We have found that many members display great indifference to the welfare of their society, that they have little or no knowledge of co-operative principles and do not seem to be aware of their right and duty to assert themselves where office-bearers are unsatisfactory. For this the only remedy is better organisation at the start and friendly advice from time to time from Inspectors, Supervisors, and well-wishers of the movement. In the Assam Valley especially, the area of some societies is too large. This is because when societies were first started in the Assam Valley, a mauza which might comprise fifty or more villages was the unit, but this is gradually being remedied by executive orders though the law, as it stands at present, confers no legal power to split up a society. We believe however, that no practical difficulty is experienced in this respect. There are also societies whose membership is too large. The remedy is the same as with societies of too large an area. Generally speaking we do not think the area of a society should extend beyond a particular village except perhaps where a few hamlets can be combined. We are of opinion that although the Assam Rules permit a society to have one hundred members, it would be better to restrict the number to about half that figure. If the area of a society is too large or the members too many, there must be a lack of personal knowledge and personal touch and in a rural society it is essential that the members should know each other fully and be able to check any misconduct. There are societies in remote localities where supervision is difficult. Some of these, e.g., in Mangaldai and North Lakhimpur are not financed by any central bank. Hitherto, they have got loans direct from provincial bank, which, however, has recently decided to discontinue this practice as it can exercise no proper control over them. At present the societies in those subdivisions are not numerous enough to justify the establishment of a central bank at subdivisional headquarters. We suggest that the central banks at the district headquarters should undertake the task of financing them and should employ a supervisor to look after them whose salary, meantime at least should be borne by Government. We further recommend that no more rural societies should be organised in remote areas unless they can be properly supervised by a central bank and by the official staff. We may note that the Central Bank of Sylhet declined to finance rural societies in the Jaintia parganahs because it was unable to supervise their working. The Government has recently offered to pay the cost of a supervisor for these societies. At present, the rural societies in Sunamganj subdivision in Sylhet are in charge of the Agricultural Inspector of the subdivision and are financed by the Central Bank, Sylhet. As we pointed out in discussing paddy loans in Sunamganj, more rural societies are required

there, and we hope that it may be possible to have a central bank at subdivisional headquarters and to relieve the Agricultural Inspector of his duties of inspection of these societies when the Registrar obtains an increase to his staff

140 We have had many complaints of mismanagement by the Chairman, Secretaries and Panchayat members of the rural societies. Our inspections have convinced us that there are substantial grounds for the allegations. The members of the panchayat from the Chairman downwards frequently take *benami* loans, and the Secretary in more than one case, was found to have been responsible for defalcations. Secretaries also disobeyed the rules about depositing money in their hands with the saving bank. We think it entirely wrong that the Secretary and not the Chairman should keep the cash balance. The members should be instructed that they have full power to depose any unsatisfactory office bearer but in view of the strong influence which some villagers wield over the others who do not venture to thwart them, we think the Registrar should have power in his hands. In the new rules provision has been made for allowing the Registrar, for reasons to be recorded in writing, to suspend the managing committee for a period not exceeding six months and to appoint any person to perform the duties of the committee during the said period. In more than one case, we found that members of the panchayat had not only secured considerable loans for themselves but had also shown a bad example to the other members by being in arrears of payment for long periods. A change of the panchayat is indicated as a remedy. In several societies which we inspected we were glad to find that the records were well kept, but in others little or no attempt was made to maintain the registers properly. The only remedy for this is the training of the secretaries which we will refer to later. Sometimes we have thought that if the inspector or supervisor took a little trouble to explain how the books should be kept, matters would improve.

141 Where the members of a society have not grasped the essentials of a co-operative institution like a rural bank, it is difficult to suggest any effective remedy for *benami* loans, unpunctual payments and overdues, misuse of the loan and the failure of the panchayat to make collections from the borrowers and to make remittances to the central bank. With the spread of primary education and with the better initial organisation of the societies, better results could be expected. But we think that much can be done by better supervision by supervisors of the central bank and by the co-operative Inspectors. We admit however that at present the official and non-official staff is inadequate and in many cases insufficiently trained. We will in due course, make suggestions for the removal of defects in numbers and in training which we hope, will result in rural societies being conducted in a more business-like fashion. But unpunctual payments may be also due to various causes for which a remedy is at present available. Much depends on the purpose of the loan. If a loan is asked for repayment of debts the Panchayat should enquire how and when the member proposes to repay the loan. If he can repay within a reasonable time, the *list* of repayment should be fixed accordingly. If however, the debt is heavy and if it is unlikely that it can be repaid in full

within 3 or at most 4 years, it should be refused. It is a failure to observe this principle that is the cause of many overdues. It is a common practice for the rural society which requires a loan to submit to the Central Bank, an application giving in detail the purposes for which certain members require loans. We are aware that some central banks verify the *bona-fide* nature of the application before granting the loan, but this is not always done. Where a member wishes a loan to clear off old debts, we recommend that the central bank through its supervisor should enquire if the loan is likely to be repaid in time. It may be argued that this amounts to distrust of the panchayat of the rural society. But until rural societies are better managed by their panchayat, we think that the Central Banks are justified in making such enquiries. Again, a member may apply for a loan to purchase cattle but may utilise it for repaying old debts. Under present conditions, it is not to be expected that the average panchayat will recall the loan. We think however that the supervisor should be on the look out for such cases and that the central bank should make it clear to the rural society that loans which are misapplied in this way or *benami* loans must be recalled at once and repaid to the central bank. The rural societies should be given to understand that though loans can be given for repayment of small debts, the Central Bank is not in a position to give long-term loans for clearing off debts which cannot be repaid out of surplus income in two or three years. Then again, we think that in the case of loans for productive purposes, *e.g.*, for seed or purchase of plough-cattle the repayment dates are not always fixed to suit the convenience of the borrower who can only repay after harvest. In some cases, the rural society may have little option as the *lists* fixed by the central banks may be unsuitable. We think that this is a matter that can easily be remedied by freer consultation between the rural societies and the central banks. If the *list* dates are unsuitable there are bound to be overdues.

Members of rural societies very often gives preference to repaying the village money-lender from whom he has borrowed. If a member has a surplus, it will be given to the moneylender, not to the society. He knows that if he does not do so, he will find it more difficult to get accommodation from the moneylender in future. It is not easy to suggest any remedy for this. We must depend mainly on the vigilance of the panchayat.

Many rural societies are unable to meet all the demands for loans from the members. But we have found that in many cases this is because they fail to insist on punctual repayments by the members with the result that they are unable to meet their obligations to the central bank. This in turn may mean the central banks are unable to get finance from the provincial bank because they themselves are unable to repay previous loans. It is a vicious circle, and we think that the rural societies have the remedy in their own hands by insisting on punctual payments from their members. Of course, there are central banks which find difficulty in getting deposits from non-members because they do not inspire public confidence, but if the banks are under sound management we do not think there shou'd be much difficulty in attracting deposits. There are banks such as the Sylhet Central Bank, which have more funds than they can utilise.

142. The classification of rural societies for 1928-29 is as follows

		Assam Valley Division	Surma Valley Division	Total
A (Model)	...	4	5	9
B (Good)	..	120	41	161
C (Average)	...	369	343	712
D (Bad)	..	76	67	143
E (Hopeless)	...	...	13	13

The Registrar remarks that the classification particularly, as regards the Assam Valley, is not quite reliable, some "C" class societies should, he thinks, have been classed as "D". He further states that in the Assam Valley no attempt was made to distinguish between "bad" and "hopeless" societies. New societies or societies doing no work are not included in the classification.

Central Banks.

143 Some of the Central Banks in both Valleys are, in our opinion, efficiently managed. This is the case with those that have on their Board of Directors, gentlemen who though they may have no banking experience, take a keen interest in the administration of the bank's affairs. Generally speaking, we have found that in such banks the percentage of overdues from rural banks is comparatively low. Public confidence in such banks is evinced by the large volume of deposits from non-members. The supervisors of the banks are also fairly efficient. On the other hand, especially in Upper Assam, there are some Central Banks which seem to transact little business. Public deposits are comparatively small and the percentage of overdues from rural societies is heavy. One or two of them have not borrowed from the Provincial Bank for a year or two, because they are in arrears to that bank or because the affiliated rural societies are so much in arrears that they know that it is useless to ask for further loans. Some of the Central Banks in the province keep current accounts. The banks are all of mixed type, with individuals and also rural societies as shareholders. The Board of Directors is usually composed half of individual shareholders and half of representatives of the affiliated societies.

144 Among the main defects which we have found is a lack of supervision over the rural societies. Connected with this, is an absence of business knowledge among the Directors and an untrained staff of super-

visors The result is reflected in the large amount of overdues and in the fewness of deposits from non-members, showing a lack of confidence in the management The evidence of witnesses corroborates our examination of the books of the banks, as indicating the existence of such defects We have no desire to signal out any of the institutions for special attention but at the same time we think that it will be more useful to Government if we quote particular instances. We believe also that the Directors of all banks are desirous of making their banks more useful and that it will assist them if we point out where defects lie The Dibrugarh Central Bank which was established in 1913 has 39 societies affiliated to it. The working capital is Rs. 15,187 of which only Rs. 4,539 is a deposit from non-members The loans outstanding from the societies are Rs. 14,074 of which 52 per cent is overdue, no less than Rs. 2,080 being overdue for more than three years There are 16 rural societies which have taken no loan from the bank for over 3 years—not apparently because they do not need money but because they do not pay up their old loans. In the Nalbari Central Bank which has 33 society members the working capital is Rs. 21,977 of which Rs. 3,165 is from non-members In the last three years only about Rs. 5,000 has been distributed as loans to societies. The overdues from this Central Bank to the Provincial Bank are Rs. 7,638 of which Rs. 2,750 is overdue for three years and from the rural societies the overdues are Rs. 14,475 or about 71 per cent of the outstandings There are also overdues of interest both to the Provincial Bank and to the Central Bank Out of Rs. 87,393 outstandings to the Gauhati Central Bank Rs. 19,410 is overdue, Rs. 4,211 being overdue for 3 years and Rs. 5,502 for more than 3 years for which 9 societies are responsible, three of which are likely to go into liquidation This bank however appears to have the confidence of the public as Rs. 52,065 out of Rs. 89,290 working capital is derived from non-members' deposits Bad crops for two successive years are said to be a partial explanation of the overdues The overdues of the Bijnore Central Bank are about 30 per cent of the outstandings The deposits of non-members are Rs. 5,124 out of a working capital of Rs. 24,114. In the Tezpur Central Bank the overdues are very heavy, being nearly Rs. 41,000 out of Rs. 66,000 outstanding or about 61 per cent. The details are —

			Rs.
Overdue for over one year	..	...	14,451
„ two years	..	..	14,352
„ three years	...	..	9,062
„ four years	...	..	3,092

Of the above amount Rs. 7,977 is overdue from 3 liquidated societies The bank, however, has cleared up its liabilities to the Provincial Bank and public confidence in the bank is shown by the fact that out of a working capital of Rs. 75,183, non-members' deposits amount to Rs. 44,000. The Sibsagar Central Bank has a working capital of Rs. 7,151, of which Rs. 3,800 is non-members' deposits The outstanding loans amount to Rs. 6,938 of which Rs. 6,248 is overdue, Rs. 1,752 being overdue for more than 3 years There are no outstandings to the Provincial Bank. In the Nowgong Central Bank the outstandings are Rs. 1,54,787.

The overdues are—

				Rs.
for one year	...	...	..	9,560
for two years	..	..		11,655
for three years	...	..	..	11,286
over three years	...	...	...	8,687
				<hr/> 41,188 <hr/>

Out of the working capital of Rs. 1,75,552, non-members' deposits amount to Rs. 1,00,841. A partial explanation of the overdues is the unsatisfactory character of the societies among the Mymensingh settlers. The overdues of the Sylhet Central Bank are Rs 37,477 or only 12 per cent of the outstandings. The working capital of Rs 4,07,567 includes Rs. 2,52,970 non-members' deposits. The bank carries on operations with its own capital. In the Habiganj Central Bank the overdues are about 20 per cent.

145. We are convinced that if the Central Banks which have a large proportion of overdues made a special effort to realise the major portion of them, this would go a long way towards improving their position and establishing public confidence so as to attract deposits. But this will require much personal effort on the part of the Directors who should see that the supervisors do their work properly. In some cases it may necessitate a change in the personnel of the indoor and outdoor staff of the banks. We think that the Central Banks should scrutinise more closely the loan applications which are received from the affiliated societies and we suggest that they might ask the societies to submit detailed information in the loan application form and more care should be taken by the supervisor and Directors of the bank to ensure that the loan is not misapplied. Among other defects that we found was the absence of adequate provision in some banks for fluid resource. In one case we found the reserve fund being used as working capital which, at least in the case of a Central Bank, is entirely wrong. We suggest that the Registrar through the Assistant Registrars and Inspectors should pay particular attention to those Central Banks whose working is defective and that the auditors should make special enquiries about the provision for fluid resource and about the way in which the Reserve Fund is invested. It is obvious that some Central Banks require all the aid and advice that the Department can give them if they are to be useful instruments of Co-operative Credit. In future annual reports, we suggest that a reference should be made to the proportion of overdues in Central Banks or Banking Unions, as they are usually called in Assam. We would like to see the affiliated societies better represented on the Boards of Directors of the Central Banks. There is the difficulty, we recognise, that their representatives are not likely to be so well educated and that, living at a distance, they may find it more difficult to attend, but we are of opinion that it would be beneficial both to the Central Banks and to the Rural Societies if closer touch could be maintained between them. A reasonable allowance should be paid for attending the meetings of the Directors.

146 *Provincial Bank*.—As an apex bank, it is desirable that there should be on the Directorate or on the staff some one with banking experience. This is not the case at present. Every credit is due to the present non-official Chairman for his unsparing interest in the bank. He agrees that it would be an excellent idea to have a whole-time manager with some banking experience, and this matter will be brought up at the next general meeting. As the Central Banks develop, the work of the Provincial Bank will increase and the question of arranging finance on the most advantageous terms from outside sources will, we are convinced, require the services of some one with a knowledge of the money market and of banking finance generally. This is the chief recommendation we have to make. At present there are 11 Directors of whom 4 belong to the districts. It is very difficult to secure their attendance as the journey from at least two of the districts is tedious and expensive. Opinions differ as to the suitability of Shillong as the site for a Provincial Bank. The fact that there is a branch of the Imperial Bank in Shillong is, however, one advantage. We suggest that the Provincial Bank might ask the Managing Governors of the Imperial Bank if they could permit their local agent to attend the meetings of the Directors of the Provincial Bank, in an unofficial capacity, to give advice on any financial questions that might arise. We think that closer contact between the Imperial Bank and the Provincial Bank is desirable. We are aware that journeys to attend the meetings of Directors are expensive and we suggest that the Provincial Bank and the Central or Land Mortgage Banks with which the mofussil Directors are connected might share between them the payment of a reasonable travelling allowance to the mofussil Directors for one or perhaps two meetings a year in which important business is to be transacted. We admit that individual shareholders have a right to be represented on the Directorate. Some four or five of the Directors in the Provincial Bank are representatives of shareholders, most of them, we believe, hold posts in the Secretariat. Unfortunately, so far as we are aware, most of them have little knowledge of banking or co-operative matters and the Chairman occasionally finds a difficulty in obtaining a quorum. In the MacLagan Report it is stated "Although therefore in starting a Provincial Bank we are not opposed to the concession of a preponderating influence to individual shareholders, representing the business element, we think that its constitution should be so framed as to give to affiliated co-operative institutions an opportunity at no distance of securing a majority of votes at a general meeting." We share this view and hope that it may be possible to arrive at some workable compromise.

From more than one quarter we have had complaints that the Provincial Bank makes delay in dealing with loan applications from Central Banks and that often the last dates for the repayment of the loans are unsuitable. We discussed these complaints with the Chairman while examining the books of the bank. No doubt there had been delays in the past but we found it impossible without information which was not available at the time to fix the responsibility. It will suffice if we express the hope that delays will in future be minimised as much as possible. Central Banks should send up the bonds as soon as the loan is sanctioned. As regards last dates, the Chairman convened on the spot a meeting which was attended by two of our members who are Directors. It was decided that in future the Central Banks should themselves fix the last dates which were most suitable to them.

147 *Co-operative Town Banks and Co-operative Stores*—The chief defect in Town Banks is the large amount of overdues. The clients of these banks are usually of the literate classes and they know perfectly well that it is their duty to repay punctually but they too often fail to do so. Unfortunately, there seems to be a disinclination on the part of Directors to bring any pressure to bear upon them. We can only suggest that the Directors should have a higher sense of duty and responsibility. If educated borrowers do not show a good example to the ignorant agriculturist borrowers, and if the Directors do not discharge their trust properly, it speaks ill for the future of sound banking in Assam. We note that, as a rule, little enquiry is made into the purpose of the loans. It would not, we think, be unfair to characterise some of these banks as money-lending institutions, pure and simple, with little sign of co-operation. We think that in some cases an improvement in the staff of the bank is desirable. The main defect of the co-operative stores is that the transactions are largely on credit and not for cash payments. This is entirely wrong. We understand that the Provincial Auditor devotes a considerable part of his time to these institutions. We suggest that he might, in a friendly way, be able to secure an improvement as many of these stores are in Shillong where he has his headquarters. At the same time it is only fair to point out that town banks have been useful in enabling town people to borrow at a lower rate than what they would have to pay to the moneylender. There might also be a possibility of widening their scope in helping those who wish to take up cane work and other similar small industries in town.

148. *Departmental Defects*—The present Registrar of Co-operative Societies in Assam is a senior officer of the Assam Civil Service. He has been in charge of the Co-operative Department for about two years. His previous experience was confined to an acting period of 4 months in 1924. The departments of Agriculture and Industries in which he had no previous training are also in his hands. As he has stated in his evidence, it is an impossible task to have charge of the three departments. "I am trying to do the work of three men and before I can pick up my work, probably my time will be over and I shall retire." We consider that it is absolutely unreasonable to expect any officer to perform with any satisfaction either to himself or to any one else, the task of managing these three departments which we would remark are nation-building departments and which are—or ought to be—launching out into new lines of development every day. Only the direst economic stringency could justify the concentration of these duties in the hands of one individual—and then only as a temporary arrangement. Our first recommendation is that the Registrar should, at the earliest possible date, be relieved of the duties of the department of agriculture which should be placed in the hands of an expert. In a small province like Assam, it might be unreasonable meantime to suggest that the Registrar should manage only the co-operative department. As the department of industries deals mainly with cottage industries such as weaving which should receive substantial assistance from the co-operative movement, both departments may remain in the hands of the Registrar but we would again emphasise the necessity of the services of an expert—preferably one with a knowledge of weaving—being placed at his disposal.

The Assistant Registrar of the Surma Valley belongs to the Junior Civil Service and entered the Co-operative Department as Inspector in 1920. Though at the time of his appointment he had no special training in co-operation, he has in the course of ten years acquired valuable experience. His colleague in the Assam Valley who, previous to his appointment as Assistant Registrar eighteen months ago, had since 1906 been a member of the Assam Civil Service had no experience of the Co-operative Department beyond what he had picked up as an executive officer. We recognise that Government have been handicapped by a shortage of officers in recent years. We recommend that the post of Assistant Registrar should always be filled by an officer of the Assam Civil Service, and that at least one junior officer of that service should as soon as possible be given a thorough theoretical and practical training in co-operative work in some province such as the Punjab or Bombay which makes special provision for training. He could then be attached as a supernumary to one of the present Assistant Registrars. The ideal—though we do not know if the province could afford it—would be to give a training to two such officers. There are two Divisional Auditors and one Provincial Auditor. The duties of the former are to audit the accounts of the Central Banks and Town Banks and to do super-audit of some of the rural societies. The Provincial Auditor conducts the original audit of societies in Shillong and the super-audit of all limited liability societies in the plains. He has also to scrutinise the audit reports of Divisional Auditors before submission to the Registrar whom he advises generally on audit matters. As the appointment of Divisional Auditors is of recent date, the system must be given a further trial and we refrain from making any suggestions.

149 There are six Inspectors in the Assam Valley and five in the Surma Valley. The Registrar and the two Assistant Registrars state that this staff is totally inadequate. At the present time, the time of the Inspector is spent in making the annual audit of rural societies and in the liquidation of bad societies. Even this audit is often incomplete, time not permitting of enquiries in many cases as to *benami* loans, the proper utilisation of loans, and analogous points. Though Inspectors do occasionally organise new societies they have no time for any propaganda or education work among existing societies. Instead of being a guide, philosopher and friend to the societies, the Inspector is little more than an accounting clerk. Moreover, some of those Inspectors are not satisfactory owing to the lack of proper training. The Assistant Registrar of the Assam Valley states that of his present Inspectors, "two are fairly good, two are indifferent and the remaining two are raw youths." From what we saw of them, we would endorse this classification. The Assistant Registrar of the other Valley states that it is difficult to say how many of his five Inspectors he would call efficient. He points out that all are doing their best under the present circumstances. "The work they are practically doing now is a mere collection of figures for the preparation of the annual report." They have no time or opportunity for any real co-operative work. That seems to be the long and short of the matter in both valleys. As regards previous training, all that the Inspectors seem to have received is a course of instruction for a month or so under the Assistant Registrar. This we consider quite inadequate. Government have asked for our advice on the Registrar's proposal for the increase of the present staff by three additional inspectors and five auditors, the cost of the audit staff to be met by

audit fees realised from co-operative societies. As an alternative, the Registrar has stated that he might be given 9 additional inspectors in that case the five auditors would not be required. The Assistant Registrar of the Suma Valley suggests that there would be a subordinate staff called Sub-Inspectors to do the work of audit and inspection under the Inspectors. The Assistant Registrar in the Assam Valley would prefer to have more Inspectors rather than auditors. He states "we have got to overhaul nearly 90 per cent of the societies. That cannot be done by auditors". He also suggests that Central Banks should retain an increased staff of trained supervisors. Our considered opinion is that 7 and not 5 auditors are necessary in view of the scattered nature of the societies in some places and the difficulties of communication. Otherwise, we are doubtful if all the societies can be properly audited in the course of a year. We are of opinion that pure mechanical work of audit of rural societies does not require much technical ability and it seems to be unnecessary to employ comparatively well-paid officials of the Inspector class in the discharge of more or less clerical duties which can be satisfactorily performed by officials on less pay. The Inspectors will then be set free for more important duties. We also see no reason why the pay of the auditors should not be borne by the societies. It may be advisable, however, to grant some concession in this respect to some of the poorer and of newer societies. We recommend therefore the appointment of 7 auditors and 3 additional inspectors. The auditors presumably would be under the control of the Assistant Registrars. We would suggest that their pay should be Rs. 75 rising to Rs. 150, with a chance of promotion to the grade of Inspectors. They could be trained by the provincial and the divisional auditors. We are of opinion that all Inspectors including most of those already in service, should have a proper course of training. It is impracticable for a small province to have adequate arrangements of its own for training as in the Punjab or some other provinces. The most feasible suggestion that occurs to us is that one of the Inspectors should be designated an education Inspector on the scale of Rs 200—10—300 which is somewhat higher than the scale of the present Inspectors. Arrangements might be made with the Registrar of Co-operative Societies in the Punjab for the thorough training of this selected Inspector. It may be objected that conditions are different in the Punjab but no other province has, we believe, made so much progress in training co-operative workers and in any case, new ideas gained in that province will stand the Inspector in good stead in Assam. On his return from training, the selected Inspector would hold training classes for the other Inspectors in the province. We would also suggest that the Inspectors, after receiving their training, should have to pass an examination before they were confirmed or before they got an increase of pay or were allowed to pass some efficiency bar. We have only sketched the outlines of a scheme which we think would lead to greater efficiency among the Inspectors and which would not be unduly expensive. In the initial appointment of Inspectors and auditors, efficiency should be the only consideration and there should be absence of patronage in any form. Preference should be given to those who have undergone a training at their own expense in some other province.

150 We would emphasise that the primary duty of the Inspector would be to guide, instruct and advise the panchayat and members of rural societies in their duties and responsibilities. He would make use of the

audit note of the auditor to enquire into defects like *benami* loans, mis-application of *kras*, improper fixing of *kists* and the proper maintenance of the *harsiat* and would endeavour to have the defects rectified. The right type of Inspector would take the members into his confidence and if he was himself keen on his work—and this is absolutely essential—we have little doubt that before long there would be a marked improvement in the condition of rural societies. The objection may be raised that this may lead to too much officialdom in the movement. We admit that the ideal is to dispense with official control as much as possible—and there are societies in Assam, not very many as yet, which can be left more or less to themselves—but at the same time the fact remains that most of the societies are not working as co-operative institutions and unless they are guided in the right path they will deteriorate still more. If there were sufficient non-officials, earnest and imbued with the spirit of the movement who had the leisure to spare for the improvement of the societies, we would not suggest such an increase in the official staff, but in Assam we think that, for some considerable time to come, and until the societies are better able to manage their own affairs, official guidance is essentially necessary.

151. *Defects in the staff of co-operative banks*—We think that it is desirable that some form of training should be given to the Secretaries of all Central Banks, Town Banks, Co-operative Stores and Rural Societies. The same applies to the Supervisors of the Central Banks. We believe that many of the Secretaries do their best and only require a little training and guidance to be able to keep their books properly. We think that the task of training and guiding the Secretaries of the Rural Societies and Town Banks, should be in the hands of the Inspectors and auditors of these societies. We hope that with the increased staff we have recommended it may be possible to spare more time for this. The task of training the Secretaries of Co-operative Stores should devolve on the provincial auditor and of the Secretaries of the Central Banks on the divisional auditors. There remains the training of Supervisors. We recommend that they should attend the training classes for Inspectors held in selected centres by the education Inspector. There are two other points on which we would lay stress. We think that the Directors of Central and Town Banks and Co-operative Stores should exercise more control over the office work and in particular care should be taken that the Supervisors do not have the deciding voice in the affairs of the Central Banks. We have been told that sometimes the Supervisors have too much power. And in this connection, we would point out that in the appointment of Supervisors, efficiency would be the only factor to be considered. We admit that in rural societies management is supposed to be an honorary task, it is the custom, however,—and we think it reasonable—that Secretaries should receive some remuneration. The present maximum is fixed at 15 per cent of the net profits. We think that it might lead them to take more interest if the maximum was raised to 25 per cent, on condition that the overdues did not exceed 25 per cent of the outstandings.

152. *Miscellaneous*—It will be convenient at this stage to deal with some other points of interest.

Long and short term loans—At present only the Sylhet Central Bank distinguishes between short and long term loans. Short term loans are given to per cent interest, being 1 per cent, below the rate for other

loans, to meet current cultivation expenses and to be repaid soon after harvest. Other loans for the purchase of cattle, liquidation of petty debts, marriages, etc., are treated as long term loans and are repayable by the rural societies usually in 3 years. The short term loan is to be repaid out of the proceeds of the crop and the long term loan out of annual savings. In our opinion, it would be advisable for other Central Banks to follow this example. For short term loans only pro-notes are necessary, for other loans the usual bonds would be required. The rural societies could have separate application forms in different colours for the two kinds of loan and both rural and Central Banks would require to maintain separate ledgers or at any rate have some system of distinguishing the accounts of the short term and long term loans. It should not be difficult for rural societies with the help of the Supervisor to send to the Central Bank at the commencement of the crop season a forecast of probable requirements for short term loans. These statements might hold good in subsequent years, at any rate for fixing the normal credit limit. The amount of the loan should be according to the actual requirements and no loan should be advanced unless it can be repaid from the proceeds of the crop. The actual loan application would be carefully scrutinised by the Central Banks. Short term loans would have to be given out without delay. It is hoped that the Central Banks may be able to arrange with the Imperial Bank for a cash credit against securities lodged with the bank. The credit would be only drawn upon after deposit with the bank of the pro-notes of the societies. In this way, there would be a direct link between the Imperial Bank and Central Banks. There seems to us to be no reason why the transactions should go through the Provincial Bank. At present, the cultivator who takes a short term loan from a Mahajan on the understanding that it has to be repaid from the proceeds of the harvest, has often to pay a heavier rate of interest than for a long term loan. The reverse would be the case with the short term loans we propose.

153 *Haisats* — At present the *haisat* or debt-and-property statements are not prepared in respect of all the members in many societies, and they are practically never kept up to date. The fact is that the rural societies attach little importance to them. We think that carefully prepared *haisats* are a most useful guide for the organisation of a new society. We admit that the would-be members will probably not declare all their debts and may over-value their assets, but the Honorary Organiser or Supervisor of the Central Bank ought to some extent to be able to check the correctness of the *haisats*. If the *haisat* of a particular individual showed that he was hopelessly involved, he would probably not be accepted as a member. Then again, if the *haisats* are kept up to date they would be of use in determining, from the point of view of the ability to make punctual repayments, whether it was desirable to grant an applicant the loan he wanted. Use could be made of them both by the Supervisor and the panchayat. It is true that rural societies are of unlimited liability, but economic status of each individual cannot be ignored.

Audit — The way in which audit is done at present is defective. It takes the form of a compilation of figures for the annual report. The Inspector in auditing does not enquire whether loans have been used for the purpose for which they were given, whether the security is adequate and whether suitable *lists* were fixed. Nor does he examine overdues and

enquire into the cause of arrears. We think that the audit should also include a verification of the cash balance, noting where it is kept, and an examination of the liabilities of the society to the Central Bank and to depositors. Special attention should be paid to overdues and there should be a separate note showing how far they are good and likely to be recovered and the steps taken for recovery. The auditor should also endeavour to ascertain if there are any *benami* loans. It is desirable that he should call a general meeting and have the defects explained and rectified as far as possible on the spot, but if audit is separated from inspection, this duty might devolve partly on the inspector. We think it important that the Central Bank as the financing agency should receive a copy of the audit note. In the same way, the Provincial Bank should receive copies of the audit notes of the Central Banks. This is not the case at present.

154 *Extensions of loans and overdues*—Extensions of loans to members of rural societies should not be granted too freely and if the panchayat fixes the proper dates for repayment, in consultation with the borrowers, there should be little occasion for such extensions. In any case a loan should not be allowed to run on without formal extension by the panchayat. The failure to adopt this procedure is largely responsible for the overdues. A loan for which extension is not granted should be recalled at once. If the borrower refuses to pay, a demand should be made on his sureties. Failure of crops, in some cases but not as a general rule, may be a reasonable cause for extension, in fact, if extension is not given in a really deserving case, not only will the member often be compelled to resort to the money-lender but the repayment of the society's loan will be still further deferred. If extensions are granted to rural societies by Central Banks, *e.g.*, on the occasion of floods, the extension should be passed on to the members. A similar concession may be passed on to rural societies by Central Banks which get extensions from the Provincial Bank.

We have already indicated that overdues are to be attributed largely to lack of supervision and slackness on the part of the Central Bank Supervisors, the Inspectors, and the panchayat committee some members of which are often the chief defaulters. The main cause, however, is the habitual unpunctuality of the borrowers. Old indebtedness is also largely responsible. We are inclined to think that in many societies most loans—whether granted for that purpose or not—are utilised in payment of old debts. In unproductive expenditure of this kind large overdues of repayment are bound to occur. It is for this reason that such loans should be granted sparingly by rural societies—and only for petty debts where there is a reasonable likelihood that the member will repay in time. It is here that lies the utility of the land mortgage banks as debt-clearing agencies and it is this that constitutes the main argument for Government assistance to these banks. We have suggested that the remedy for overdues lies in better supervision and in inculcating a better sense of responsibility among the panchayat and the rank and file of the society. We have referred to this question once again because of its intrinsic importance. We recommend that Central Banks should carry to a separate ledger at the end of each year all overdue loans from rural societies. It would then be easier to watch recovery. The rural societies should follow a similar procedure in respect of loans overdue from members. Supervisors, Auditors and Inspectors should carefully examine these lists and insist on suitable

steps being taken for recovery, even by obtaining and executing decrees in bad cases. We have noticed in the course of our inspections that the date when a loan was taken was not always entered in the registers of the rural society—this is inexcusable.

We have had complaints of delays on the part of the Registrar in granting awards. All we need say is that when the Registrar is relieved of the charge of the agricultural department and when his staff is increased, it should be possible to expedite the grant of awards.

155. *Supervision by Central Banks*—In paragraph 377 of their report, the Royal Commission on Agriculture in India remark that “the attempt to devolve the work of supervision on Central Banks has proved a failure, and we consider it desirable that finance and supervision should be under separate control.” We are not prepared to endorse this statement. The matter was debated at full length in the tenth Conference of Registrars of Co-operative Societies in India held in October 1928. We admit that audit should be entirely separate from finance—and so far as we know, the Supervisors of Central Banks in Assam have nothing to do with audit—but that is no reason why education and supervision should be taken out of the hands of the financing agency. The MacLagan report emphasises the importance of supervision on the part of the Central Banks. It is only reasonable that the financing banks should have some control, or exercise some supervision, over the rural societies. We are far from maintaining that the supervision by the Central Banks is at present as efficient as it ought to be, the staff in some cases is insufficient and there are too many Supervisors who are untrained and inefficient. In dealing with the defects in the staff of Co-operative Banks, we have made our suggestions for securing an improvement. It is not a part of the duties of a Supervisor to audit or to organise societies or to take an active part in collecting arrears from the members of the rural banks. We consider, however, that he can usefully scrutinise loan applications which come to the Central Bank, and that if necessary he should visit the village and examine the *haizal*. He may, with advantage, be present occasionally at the distribution of loans, and enquire whether there are any *benami* loans. The Sylhet Central Bank has a detailed form of inspection which Supervisors fill up for most of the societies. Some 30 societies which are classified as good receive only a brief visit on which a short note is submitted. An important part of his duties would be to instruct the Secretaries of rural societies in the keeping of accounts. He could also take every opportunity of explaining to the members the principles of co-operation; this, of course, pre-supposes that he himself has the requisite knowledge. The Assistant Registrar of the Surma Valley states that the relations between the departmental staff and the Central Banks are not so cordial as they ought to be. In reply to the question whether the Inspector had got anything to do with the Supervisor he states “the only thing that the Inspector gets is a copy of the diary of the Supervisor upon which he gives his criticisms and suggestions. It is then sent back to the Central Bank, and it depends ultimately on the Central Bank to take action. I know in many cases no action is taken, and in certain cases counter criticisms and counter remarks are made by the Supervisor or the salaried Secretary of the Central Banks resulting in bickerings.”

He admits that this was not always the case. He suggests that one reason is that the Supervisor has too great power in the bank. We can only say that the strongest co-operation between the Central Banks with their staff and the Department is most essential and we look to the Assistant Registrars and the Directors of the banks to endeavour to restore the *status quo ante*.

156 *Support of district officials and non-officials to the Co-operative movement*—We agree that it is desirable to free the Co-operative movement as far as possible from official control. This is the ideal, but no one will deny that, at present, in view of the condition of the various co-operative institutions in Assam official control and help—we emphasise the last word—is essential. We think that, generally executive officers from District Magistrates down to Sub-Deputy Collectors do not take such interest in the movement. We do not believe that this is out of deliberate choice but because they have an idea that official participation in the movement is discountenanced. This idea should be dispelled. It is not necessary that these officers should be on any of the managing bodies for them to be useful in the movement. All that is required is that in the course of their tours they might pay a visit to such institutions and perhaps look into the books. We think that this would be of much help and encouragement. As regards the District Officer—and here we would include the Sub-divisional Officer—we would endorse what is stated in the MacLagan report. "It is also important that the District officer while not allying himself with the movement in any official capacity and not exercising any of the formal powers of Registrar—duties for which he might have no inclination and which the press of other work might force him to allow to fall into routine—should nevertheless realise the importance of co-operation and its possible effect for good or evil on the district under his charge, and should keep himself thoroughly in touch with the progress of the movement in his district."

And this brings us to another problem—how to induce more non-officials to lend their services to the cause. We have pointed out how few they are in number, so far as agricultural societies are concerned. In the rural areas in the Assam Valley there are probably relatively fewer educated gentlemen available. We think that it would help if the District Officer or Subdivisional Officer in informal meetings or in the course of visits would endeavour to enlist the sympathies of those who would be likely to make a hobby of serving the movement in some capacity or other. Perhaps, if Government agree with us, these suggestions may be communicated to those concerned.

The co-operative movement is under a deep debt of obligation to the non-officials in Assam who have done their best to forward its progress often at the sacrifice of well-earned leisure. We trust that Government will as occasion arises, mark their appreciation of the services rendered. We would, however, appeal for more volunteers to the movement. We recognise that there are other spheres of activity which attract or distract the attention of non-officials but there is, we think, no way in which they may exercise their activities to more advantage, for the benefit of 90 per cent of the community, than by participation in the co-operative movement. District Co-operative Conferences may be of some use in awakening public interest. We suggest that the village pundit in the period of his training

at the Normal [School] might learn something about the movement. In his turn, he could try and interest his pupils. In the secondary schools and in the two University Colleges, we think that more might be done to rouse interest in the movement. Teachers and lecturers in economic might give a practical lesson to their pupils by visiting some Co-operative institutions which lie within easy reach.

157. *Co-operative Organisation Societies*—There are in the province two societies for co-operative propaganda and education work, one in Silchar and one in Jorhat. Each receives an annual grant of Rs. 1,000 from Government. These societies, in our opinion, deserve encouragement and support. The Silchar Society has obtained considerable financial aid from Central Banks and rural societies. Both societies have preachers for propaganda work. The Silchar society publishes a quarterly journal in the vernacular—*Samabaya*—the only one of its kind in Assam. It has made an attempt to organise Health Societies. Provided the preachers are of a suitable type with a first-hand knowledge of village life, we anticipate that much good work may be done in giving publicity to the co-operative movement. Both societies are, however, in their infancy and too much must not be expected of them at first.

158. *New rules framed under the Co-operative Societies Act (II of 1912)*.—We are submitting our criticisms on the new rules direct to the local Government. As they are only of local interest, we do not propose to deal with them in this report. We have considered whether the time has come for Assam to have an Act of its own to replace the all-India Act. We think that although some amendments of the present Act (II of 1912) are desirable to suit recent developments of the co-operative movement, the matter is not urgent. It might be better to wait, for example, until it is seen how the land mortgage banks develop. When the amended rules are passed, the question of a new Manual may be taken into consideration.

159. *Adequacy of the Co-operative movement as a banking agency*—From the fact that the agricultural societies only reach about 4 per cent of the rural population, the Co-operative movement as a banking agency can only be pronounced inadequate. We have pointed out the imperfections of the existing societies and made suggestions for their improvement to render them more useful for agricultural finance. Their defects lie not so much in inadequacy of finance as in bad management and in the failure to utilise to the best advantage the resources they already possess.

160. *Lines of further development*.—We are of opinion that, for some time to come, the main line of development must lie in the improvement and consolidation of existing rural societies rather than in the creation of new societies. There should be no hesitation in winding up societies from which there is no hope of improvement. They do no good to any one and divert the attention of the department from more useful work.

We think that steps should be taken to start societies to help cottage industry. Much caution, however, will be required. Meantime we could concentrate on weaving. We invite a reference to the remarks in chapter IX about the credit facilities required for capital and current expenditure.

of cottage industries. We gave reasons why the members of industrial societies should receive loans at a comparatively low rate of interest. We think that this is a case where Government should assist with loans. This has been done, for example, in the United Provinces. We emphasise the necessity for effective supervision and guidance, and we had this in mind in making our recommendation for an expert adviser to the Director of Industries. We might point, as a precedent, to the lending of the services of a dairy expert for organising milk societies in Sylhet. We suggest that in organising weaving societies, steps be taken for the supply of yarn and, where there is not a ready local market, for the disposal of the finished produce.

We have elsewhere referred to the desirability of encouraging milk societies. Cattle breeding societies may follow as a corollary. With the land mortgage banks we have dealt in chapter VI.

161 *Possibility and desirability of granting financial or other concessions by Government, e.g., exemption from income tax, inclusion of debentures of Co-operative Banks in the list of trustee securities, cheaper remittance facilities, etc.*—We have already recommended the entertainment of an additional staff for the Co-operative Department and of an expert adviser to the Director of Industries. We have also suggested in Chapter VI that further loans should be given to certain land mortgage banks and that loans should be given to industrial societies which may be started. We have recommended that Government should bear the cost of supervisors attached to certain Central Banks for rural societies situated in remote localities.

The only case where we would suggest that loans should be given to ordinary rural societies is for the starting of new societies among the depressed classes, e.g., the mat making Namasudras in Karimganj.

At present on societies registered under the Co-operative Societies Act no income-tax is assessed in respect of the profits or of the dividends or other payments received by the members of any such society on account of profits. This exemption does not extend to interest on deposits. The argument for the exemption from income-tax of profits and dividends is that these are not strictly profits at all in the commercial sense of the term, but merely constitute repayment of overcharges. The Government of India held that there is no justification for the extension of this exemption to interest on securities in which a Co-operative society may have invested. It was pointed out that this would be tantamount to granting a bounty at the expense of the general rate payer. This would also apply to interest on debentures issued by co-operative societies. The only suggestion we wish to make is that, with a view to encouraging long-term deposits, the interest on deposits made for five years or longer periods should be exempt from income-tax. This would probably assist land mortgage banks. We have already expressed our view that the issue of debentures for land mortgage banks in Assam and their inclusion in the list of trustee securities must be reserved for future consideration.

As a concession, remittance transfer receipts are available at par for remittances between co-operative credit societies. This does not benefit rural societies in their transactions with the Central Banks. We recommend a remission of three-fourths of the money-order commission for such remittances.

In Madras—and perhaps in some other provinces—Government permit the spare funds of local bodies such as local boards and municipalities including provident fund money and security deposits of contractors to be deposited with such Central Banks as are on an approved list. There may be local bodies in Assam which are willing to follow suit and we recommend that permission be given in such cases provided the Registrar is satisfied that the bank is suitable. We think, however, that much caution would be required at the start. These funds would be in the nature of a trust and no doubt Government would be blamed if they could not be repaid when wanted. It would also be a loss to a bank to accept these funds in deposit if it was unable to find employment for them. A higher standard of fluid resources would also be necessary.

162 *Extension of Co-operation in the direction of borrowing and lending on a provincial scale instead of local units operating separately in watertight compartments*—In 1928 the Hon'ble Ramdas Pantalu at the second All India Provincial Banks' Conference made the suggestion that instead of Central banks working as separate units for borrowing, there should be centralisation by pooling the resources. It would be the duty of the Provincial Bank to raise the necessary funds for the movement in the whole province by attracting deposits and borrowing locally or from other provinces or by issuing debenture bonds. It would then finance Central Banks according to their requirements. The higher staff of the Central Banks would be put on a Provincial scale which would make for efficiency and would train up men in the technique of banking.

We do not recommend such a scheme for Assam. We consider that Central Banks can in many cases raise funds locally at a cheaper rate of interest than what the Provincial Bank charges for its loans to the Central Banks at the present time. Occasionally indeed, Central Banks have a superfluity of funds raised locally. There is no guarantee that the Provincial Bank would be able to raise enough funds to meet the demands of all the Central Banks. We are inclined to think that many local people would prefer to invest their funds in the local Central Bank with whose Directors they are acquainted. As regards staff, the Provincial Bank has not at present a trained staff of experts and we do not see how it is, at present, in a position to train up managers or secretaries of Central Banks.

163 *Relations with the Imperial Bank, Joint-stock Banks and other Banking Institutions*—Apart from the cash credit which the Imperial Bank grants to the Provincial Bank and the Sylhet Central Bank, the Co-operative Banks are not linked up with the Imperial Bank, Joint-stock banks and other banking institutions. In the remarks we have made about short term loans, we have indicated that a closer relationship with the Imperial Bank might be established by the discounting of promissory notes. It is possible that the Provincial Bank and the Central Banks could make more use of the big commercial banks in depositing in them funds for which they had no immediate need, and *vice versa* the Commercial banks could lend to the co-operative banks in their slack season.

164, *Alleged competition of Co-operative Banks with Joint-stock Banks and other banking institutions*—In Assam, it is not a case of the co-operative banks competing with the local joint-stock banks but rather the reverse. In some cases joint-stock banks offer higher rates for deposits,

but this has no appreciable effect on the volume of deposits in the co-operative banks because, on the whole, the public have greater confidence in the co-operative institutions.

165 *Maximum and minimum rates of interest of all classes of banks for deposits and loans*—When we had practically finished recording evidence we were requested to collect information about the rates of interest in banks of all classes for a number of years, if possible, both as regards deposits and loans. We have practically no material for making any comparison with past years.

Provincial Bank—The Provincial Bank lends to Central Banks at $8\frac{1}{2}$ per cent which seems to have been the rate since the start of the bank. The loans to Central Banks are now for 4 years at the beginning they were for 2 years and later for 3 years. Up to recently, it also lent to some primary societies direct at 11 per cent. In 1923 the rates for deposits were 7, $7\frac{1}{4}$, $7\frac{1}{2}$ per cent for one year, two years and three years respectively. The corresponding rates since 1st July 1928 are 5, 6, and $6\frac{1}{2}$ per cent. On current accounts, the present rate is 2 per cent, up to 1929 it was 4 per cent.

Central Banks—The Sylhet Central Bank lends to rural societies at 11 per cent for 3 years but short term loans repayable after harvest are issued at 10 per cent. The rates on deposits are—

Fixed deposits for 3 years for Rs 1,000 or over .	8 per cent.
Ditto below Rs. 1,000	$7\frac{1}{2}$ Ditto
Ditto 2 years	7 Ditto
Ditto 1 year	$6\frac{1}{4}$ Ditto

Current accounts carry no interest, but 2 per cent. is allowed on saving deposits and $6\frac{1}{4}$ per cent on provident deposits. The Karimganj Central Bank lends to rural societies at $10\frac{1}{2}$ per cent for 3 years. Some societies have received loans for a period of 2 years at 10 per cent. The rates for deposits are—

6 months	...	$6\frac{1}{4}$ per cent
1 year	...	$7\frac{1}{2}$ Ditto.
3 years	...	8 Ditto
4 years	...	$8\frac{1}{2}$ Ditto.

4 per cent is paid on current deposits, but there are certain restrictions as to the amount which can be withdrawn at a time and about giving notice.

The Cachar Central Bank lends to rural societies at $10\frac{1}{2}$ per cent and pays 6, 7 and $7\frac{1}{2}$ per cent for deposits for six months, 1 year, and 2 years, respectively. $3\frac{3}{4}$ per cent is paid on savings deposits. The rates of interest for fixed deposits were slightly higher in 1921.

The Dibrugarh Central Bank lends at $10\frac{1}{2}$ per cent and pays $6\frac{1}{4}$ per cent for 6 months and $7\frac{1}{2}$ for one year deposits. The Jorhat Central Bank lends at $10\frac{1}{2}$ per cent and pays $9\frac{3}{8}$ per cent on 3 years deposits. The Golaghat Central Bank lends at $10\frac{1}{16}$ per cent and pays 8 per cent for deposits of 2 to 5 years, if over Rs 1,000. The Nowgong Central Bank pays $6\frac{1}{4}$ per cent on deposits under Rs 500 withdrawable on 6 months' notice and 9 per cent on deposits of from Rs 5,000 to Rs 50,000 withdrawable on 3 years' notice. It gives $4\frac{1}{2}$ per cent on current deposits. Its lending rate

is $11\frac{1}{2}$ per cent. The Tezpur Central Bank lends at $11\frac{1}{2}$ per cent. A year ago the rate was $10\frac{1}{2}$ per cent. For deposits under Rs. 500 withdrawable on one month's notice, $6\frac{1}{2}$ per cent is paid, for Rs. 2,000 and upwards on 6 months' notice, the rate is $8\frac{1}{2}$ per cent, 4 per cent is paid on current deposits.

The Bijnr Bank charges $10\frac{1}{2}$ per cent on loans for 3 years. The Nalbari Central Bank charges $11\frac{1}{4}$ per cent. The Dhubri Central Bank pays $4\frac{1}{2}$ per cent on deposits withdrawable on 3 months' notice and 9 per cent for those on 2 years' notice. Except for a small amount, all deposits are at 9 per cent. The lending rate to rural societies is 12 per cent. The Gauhati Central Bank pays $7\frac{1}{2}$ per cent on 3 years' deposits.

Rural Societies—The general lending rate to members is $15\frac{1}{2}$ or $18\frac{3}{4}$ per cent for loans repayable in 3 years. There are however, cases where loans are issued to members at $12\frac{1}{2}$ per cent generally, in the case of old societies in the Assam Valley. Many of the societies also accept deposits both from members and non-members. There is a great variation in the rates of interest—from $6\frac{1}{4}$ per cent to 11 per cent. Usually a higher rate of interest is paid for deposits of members than for those of non-members. The rates also depend on the amount and period of the deposit.

Co-operative Town Banks.—In the 6 Co-operative Town Banks of the Surma Valley whose figures we have examined, the rate of interest on deposits for one year varies from $6\frac{3}{8}$ to $7\frac{1}{2}$ per cent, for 2 years from $6\frac{3}{8}$ to $8\frac{1}{4}$. The lending rate varies from $8\frac{1}{4}$ to $11\frac{1}{4}$ per cent. The Sylhet Bank can get 6 months' deposits at $4\frac{1}{2}$ per cent. Up to 1928, it used to lend at $7\frac{1}{2}$ but the present rate is $8\frac{1}{4}$ per cent. Several of the banks charge penal interest on overdues. The Shillong Town Bank pays 8 per cent on one year deposits, 3 years ago the rate was 7 per cent. The lending rate is $9\frac{3}{8}$ per cent. In the Town Banks of the Assam Valley, the rate of interest on one year deposits varies from 6 to $7\frac{1}{8}$ per cent. The 6 per cent rate is for Gauhati where the lending rate is $9\frac{3}{8}$ per cent. The lending rates of other banks vary from 12 to $15\frac{1}{2}$ per cent. In Tezpur and Golaghat the rate is $15\frac{1}{2}$ per cent. Some banks charge penal interest on overdues.

Land Mortgage Banks—The Kamrup land mortgage bank pays $6\frac{1}{4}$, 7 and $7\frac{1}{2}$ per cent for deposits of 1, 2 and 3 years respectively. The loans are long term loans of an average duration of 7 or 8 years at present. The rate of interest is 10 per cent for loans over Rs. 1,000 and $10\frac{1}{2}$ per cent for under Rs. 1,000. In the Sylhet land mortgage bank the interest on loans is the same but in that bank most of the deposits are for 5 years at $8\frac{1}{2}$ per cent. Deposits are also accepted for 3 and 4 years at 8 and $8\frac{1}{4}$ per cent, respectively. The banks have only been in existence for a year or two.

Indian Joint Stock Banks and Loan Offices—In 5 institutions in the Surma Valley the rates for 1 year deposits vary from 6 to $7\frac{1}{2}$ per cent. The Sylhet Loan Company can get deposits for 3 years at 7 per cent. The lending rates vary from 12 to 24 per cent, largely according to the amount borrowed. The higher rates are for small loans. There is in one bank a concession borrowing rate of 9 per cent against the security of deposits in the bank. One bank has a maximum lending rate of $37\frac{1}{2}$ per cent. In 5 banks in the Assam Valley the rates, on one year deposits, range from 6 per cent in the Dhubri Loan Company to 9 per cent in Nowgong Town Bank. The rates of lending vary from 9 to $37\frac{1}{2}$ per cent. The average rate is 12 to 24 per cent.

Marwari indigenous banks — The usual rate on deposits is 6 per cent. These are usually at call. There are cases however of 4 per cent and 11 per cent. To individual borrowers, mainly of the middle classes, the usual lending rate is 18 per cent. Traders get loans at from 9 to 18 per cent. For advances to be repaid in crop the rate may be as high as 36 to 37½ per cent.

166 We may now summarise the details given above. The Co-operative Provincial Bank can secure deposits for one year at 5 per cent which is the lowest rate of any bank we have considered. Next comes the 6 per cent rate for one year deposits paid by the Gauhati Co-operative Town Bank, the Sylhet Loan Company and the Dhubri Loan Company. The cheapest rate paid by Central Banks for one year deposits is 6½ per cent allowed by the Sylhet Central Bank. The highest rate for one year deposits—9 per cent—is paid by the recently established Nowgong Bank (registered under the Indian Companies Act). For three year deposits the Provincial Bank pays 6½ per cent, next is the Sylhet Loan Company with 7 per cent. The highest rate—9½ per cent—is paid by the Jorhat Central Bank. The main factor which determines the rate is the confidence which the depositors have in any particular company. On the whole as regards the Provincial and Central banks, there is, in recent years, a tendency to lower the rate of interest paid on deposits.

The lowest rate for lending is 8½ per cent by the Sylhet Co-operative Town Bank. Next, we have the Provincial Bank which lends to Central Banks at 8½ per cent. The highest rate is 24 to 37½ per cent charged by Indian Joint stock banks and indigenous bankers. The rates of Central banks for loans to rural societies to be repaid in three years vary from 10½ to 11½ per cent. It is difficult to say whether there has been in recent years a tendency for lending rates to rise or to fall. Up to 1928 the Sylhet Co-operative Town Bank used to lend at 7½ per cent as against 8½ per cent at present. The Golaghat co-operative Town Bank's lending rate in 1921-22 was 12½ per cent it is now 15½ per cent. On the other hand, the Mauvi Bazar Town Bank used to lend at 12 per cent but since November 1929 the rate is 11½ per cent.

The rate of interest—15½ to 18½ per cent—paid for loans by the members of most rural societies is high compared with the rate to which the townsman in Assam can borrow and with the rate paid by the members of rural societies in most other provinces. One reason is that there are two middlemen between the agriculturist and the original lender or depositor, namely the rural society and the Central Bank. We might perhaps add the Provincial bank as a third middleman. But without these intermediaries it might not be possible for the raiyats to get the loans at all at the present rates. Any future reduction of rates depends largely on the borrower himself. If he repays his loan punctually, instead of allowing overdues to accumulate, the middleman banks will be in a sounder financial position and will be able to get money at a cheaper rate of which the agriculturist in his turn will reap the benefit. Moreover, if Central banks and rural banks, could work on their own capital and on deposits paid direct into these banks, without the necessity of borrowing from other banks, it ought to be possible to lend to the agriculturist at a cheaper rate but this implies sound management, punctual realisation of arrears, and the establishment of public confidence in these banks.

PART IV.

LEGISLATION AND LEGAL PROCEDURE.

CHAPTER XII.

167 *Acts for the protection of Agriculturists, e g., Deccan Agriculturists' Relief Act, Land Alienation Act, etc*—The working of the two Acts specified above has been reviewed by the Royal Commission on Agriculture in India. In Assam we have no Act like the Deccan Agriculturists' Act which enables the Court in suits by or against agriculturists, to examine the history of a debt, and to make out an account of the money actually due, nor an Act like the Punjab Alienation Act to restrict the transfer of agricultural land from the agricultural to the non-agricultural classes. In the Assam Valley, however, there are certain restrictions imposed on the transfer of agricultural land in the case of periodic leases. Annual leases, legally speaking, cannot be transferred under any circumstances. The attention of Government had been drawn to the fact that land in the Assam Valley was passing into the hands of Marwaris, and towards the end of 1919, it was laid down that periodic *pattas* in the Assam Valley which might be issued in future should contain the following clause—"You may transfer the whole of your estate to any other person. If, however, you are a professional cultivator, your right of transfer is subject to the following special conditions, namely, that while you may freely transfer the whole of your estate, or any *dag* within it, to another professional cultivator, you shall not make any such transfer to a person who is not a professional cultivator without the previous sanction of the Deputy Commissioner." It should be noted that the clause could not be added to any lease that was in force before September 1919. The Settlement Officers of Nowgong and Darrang were asked in 1928 to report to Government how far the insertion of the clause had been successful in its object of preventing land from passing from the hands of the cultivators and whether it had operated as a hardship on the agriculturists (immigrant or indigenous) in obtaining the capital necessary for developing their holdings. The Settlement Officer of Nowgong expressed the opinion that the restriction, as it stood, was of little value to any one and he had no good reason for believing that there was any feeling among the cultivating class in favour of its retention.

The Settlement Officer of Darrang thought that the restrictive clause had not been very successful in preventing transfer to non-agriculturists, though it has been some check. The Marwari had his ways of evading the clause. He knew that he was not entitled to mutation and, after having got possession of the land, though without mutation, he would pay revenue in the name of the former lease-holder and sublet to him or to some one else. Sometimes he would sell to an agriculturist who would duly apply for mutation. The Settlement Officer had received no representations from *raiyats* against the retention of the clause. He was of opinion that it did not operate as a hardship to the *raiyats* in obtaining finance. He pointed out that the Marwari did not hesitate to make advances even though the land was held only on annual lease. Nor did he think that the Marwari charged a higher rate of interest in cases where the borrower

held his land on a lease containing the restrictive clause. At the same time he stated that at present the Marwari made advances solely with a view to getting the crop and not in order to secure the land, he added that the removal of the restrictive clause would probably result in the Marwari making larger advances with a view to having the land as well. Thus rural indebtedness would increase and land would pass into the hands of non-agriculturists. After consideration of the opinions received, Government came to the conclusion that the restrictive clause provided a useful reserve power which could be enforced when occasion arose to protect certain less provident classes of the population and therefore proposed to retain it. Government further pointed out that experience had not shown that there was a marked increase in the area held by Marwaris even where the clause had been in practice a dead letter. It was therefore decided that the clause should not be enforced without the consent of Government. Such consent would only be given in respect of particular areas or particular classes of lease holders, if Government were satisfied that special danger existed of land passing on a large scale into the hands of non-cultivating classes. In the case of Darrang the settlement officer recommended that the clause should be enforced only in the case of ex-tea-garden coolies, Kacharis, and other allied tribes such as the Miris and Dasias. This was approved of by Government.

The following table compiled from the Land Revenue Report of 1928-29 will give some idea of the area of land in the plains districts, settled with time-expired coolies, Marwaris and tea garden clerks, and others of the non-cultivating classes in the Assam Valley.

District	Time expired coolies	Marwaris	Tea garden clerks and others not of the cultivating classes	Total fully assessed area of Government land for ordinary cultivation.
1	2	3	4	5
	Acres.	Acres	Acres	Acres
Goalpara ..	12	659	359	175,079
Kamrup ..	6,273	3,635	4,533	826,318
Darrang .	99,733	4,322	5,650	494,759
Nowgong ..	22,771	1,802	445	469,833
Sibsagar	80,117	5,470	1,815	707,016
Lakhimpur	100,320	1,607	1,481	411,159

It appears then that the area settled with Marwaris is comparatively small. It has to be remembered, however, that Marwaris may hold land without having their names mutated for it. Such lands are not shown in the table. The Settlement Officer of Sibsaagar writes 'Recorded figures show that Marwaris and other traders own less than one per cent of the total *khiraj* area, so their grip on the land is not so tight as is sometimes said to be the case.'

168 As a general principle, we consider that restrictions on the transfer of land are undesirable because we think that the holder of a periodic lease is entitled to the maximum of credit for borrowing purposes which only a lease free from any restriction clause can give him. At the same time we recognise that there is a risk that the *raiyyat* may imprudently increase his borrowings on the strength of the additional credit that the removal of the restrictive clause might give him. Though we believe that the Marwarī does not ordinarily wish to have land in his hands, there is some reason to believe that the increase value of land in Assam may alter his views but from the statistics and other information which we have we do not think that this is at present the case. The future however may show that the retention of the restrictive clause is desirable. In particular, the less provident classes may require some protection. For these reasons, four of us agree that the policy of Government which we have stated above, and its application to certain classes in Darrang district is reasonable. In cases where a Marwarī allows the former lease holder to remain on the land as tenant, we think that the latter has less incentive to improve his lot. One of us, however, is of opinion that there should be no restrictive clause.

We would invite attention to another aspect of the case. It is not only the Marwarī who occasionally obtains possession of the land of the agriculturist. We have already shown in a previous chapter how some mauzadars secure large areas of *raiyyatwari* land. Many well-to-do agriculturists also take land on mortgage and in due course become owners. Then there are many indigenous money lenders in both valleys who have considerable areas of land that used to belong to their debtors. We are unable to make any suggestion as to how this may be checked. In the long run, the remedy lies in the change of outlook by the agriculturist, in his being better educated and in his being able to foresee the disastrous consequences of extravagant borrowing, often for non-productive purposes.

169 *Usurious Loans Act of 1918* —The Royal Commission on Agriculture stated in their report that "the evidence we received showed conclusively that the Act is practically a dead letter in all provinces but as we heard no evidence from Civil Judges, we are not in a position to offer an opinion as to the reasons why so little use has been made of its provisions. We, therefore, recommend that in every province an enquiry should be made into the causes of the failure to utilise the Act."

On the evidence we have received from Munsiffs, pleaders and others, we do not think there can be any doubt that the Act is used in Assam. Our examination in both valleys of the records of several civil suits also supports this conclusion. We are satisfied that the existence of this Act is known not only to Munsiffs and pleaders but also to Marwaris and money-lenders. It is true that the civil court officer does not often specify in his judgment that he has used this particular Act, but we have no doubt that he has had it in mind. But the important point to note is that the effect of the Act is shown not so much in its use by the Munsiff but in the fact that the creditors know that it is no use filing a suit claiming an exorbitant rate of interest for the simple reason that the Court will not allow it. What happens is that the creditor's pleader in framing the plaint will show the rate of interest claimed as that which the Court is likely to grant. In

a bond, the rate of interest may be 75 per cent but the plaint will be filed showing the rate claimed as 77½ per cent which is probably the maximum that the particular Court allows. Section 3 of the Act lays down that transaction may be reopened if the Court has reason to believe (a) that the interest is excessive, and (b) the transaction was, as between the parties thereto, substantially unfair. We considered whether the word "or" should be substituted for "and" but in view of the explanation at the end of section 3 (2) to the effect that "interest may of itself be sufficient evidence that a transaction was substantially unfair", we do not think any change is necessary. We have had suggestions that Government should prescribe the rate of interest which should be deemed to be excessive. This would certainly facilitate the decisions of the Civil Judges but as the unfairness of a given rate of interest would depend on several factors *e.g.* the risk incurred or the status of the debtor, we are not in favour of this proposal. There are, of course, various ways of circumventing the Act, such as paying to the debtor a lesser sum than that mentioned in the bond, as a kind of interest in advance and inserting in the bond a rate which the Court is likely to allow. We enquired as to what use is made of the Act in *comparable* cases where the debtor does not give evidence to prove that the interest is excessive and the transaction unfair. We are satisfied that even in such cases the Act is applied. It may be of interest to reproduce a judgment of the Calcutta High Court in a case where use was made of the Usurious Loans Act in Silchar in the Surma Valley.

In the High Court of Judicature at Fort William in Bengal.

Revisional

Civil Jurisdiction.

Present

The Hon'ble Zahihadur Rahim Zahid Suhrawady,

One of the Judges of this Court

Civil Rule No 518 of 1927

Issued by this Court.

In the matter of Money appal No 65 of 1925 of the court of the Sub-judge at Silchar.

Suit No. 1411 of 1924 of the court of the Sadar Munsiff at Silchar
Suryamani Das *versus* Babu Singh, etc.

ORDER

This is a typical case which shows the rapaciousness of the village money-lender and the advantage he takes of the ignorance of the village folk. The petitioner, a money-lender of Cachar in Assam lent a sum of Rs. 25 to the defendants sometime before 1904. In 1913 a suit was brought

for rupees one hundred and eighty five (Rs 185) due on the original loan. That suit was compromised and two bonds were executed by the defendants one for rupees one hundred and the other for rupees eighty five on the 15th May 1913. On the 14th February 1922 seven bonds for rupees one hundred each were obtained from the defendants. On the 12th December 1924 a suit was brought on one of these bonds probably as a test case and latter another suit was brought in respect of the other six bonds. The first suit was dismissed by the trial court on the ground that the bond was extorted from the defendants. The lower Appellate Court while disagreeing from the finding of the first court on the question of intention, acted under the Usurious Loans Act 1918, and dismissed the plaintiff's suit. This Rule has been obtained on the ground that the court acted without jurisdiction in reopening a deed more than six years old in violation of provisions of clause (1) of section 3 of the Act.

The learned Subordinate Judge has found that the defendants are ignorant villagers and that it cannot be accurately determined what the plaintiff had realised out of the defendants for the original loan of rupees 20. But the evidence shows that the defendants worked as labourers in the plaintiff's field for three years without getting anything as wages while they took their meals in their own houses and they thrashed plaintiff's paddy on a large area of land and including cash payments they have at least paid something like Rs 400. The learned Subordinate Judge, therefore, thinks that the plaintiff has got much more out of rupees 20 he originally lent than he could conscientiously claim and with this view he has dismissed the suit.

The ground on which this Rule has been obtained is that the Court below had no jurisdiction to reopen the transaction which had been settled between the parties more than six years ago. I do not think this ground ought to affect the case. What the court below has done is to re-open the transaction which took place in 1922. He has not touched the bonds executed by the defendants in 1913, and I do not know if those bonds can form legal consideration for the seven bonds of 1922. Apart from all these questions by this Rule, the petitioner invites us to interfere or exercise our discretionary power under section 115, Civil Procedure Code which I have said on several occasions, can only be done in the interest or the furtherance of justice. Justice in this case required that the plaintiff's conduct in dealing with poor agriculturists should be strongly condemned.

This Rule is accordingly discharged with costs 3 gold mohurs.

Dated 14th July 1927

Sd Z. SUHRAWADY

170 *Money-lender's Act* — We have considered whether it is desirable and practicable to introduce in Assam any bill on the lines of the Punjab Regulation of Accounts Bill of 1929. We think that in the present state of illiteracy of borrowers, such legislation is of doubtful value. We recommend that in this province no legislation of this nature be undertaken until experience is gained from the working of the Punjab Act. We note that a "creditor" is defined in the bill as a "person who in the regular course of business advances a loan." We are of opinion that in many cases loans, on harsh conditions, are made by persons who would not come under the definition. We admit that the evil with which such an Act proposes to deal, *viz.* dishonest conduct on the part of the money-

lender, does exist in this province, but we do not think that a borrower who is steeped in ignorance, will be much benefited by having a copy of his debt account sent to him monthly by the money lender. The Act contains no provision prescribing the maximum rate of interest or forbidding compound interest. Whether there is such an Act or not, we are convinced that a borrower who *must* have a loan somehow or other, no matter how severe the rate, will be able to obtain it. The periodical submission of accounts would be of little benefit to him. The solution, it seems to us, lies more in the better education of the borrower and in the spread of co-operative societies, rather than in any legislation to regulate the dealings of the money-lender.

171. *Insolvency Act*—The Royal Commission on Agriculture, with special reference to inherited debt though not to the exclusion of other debts, suggested that more use might be made of the Insolvency Act in cases where debtors were hopelessly indebted. It was pointed out that the worst policy towards debt was to ignore it and do nothing. Reference was made to the unsuitability of the present Insolvency Act as being inapplicable in the case of agriculturists whose debts were under Rs 500. The suggestion was made that a simple Rural Insolvency Act should be framed for each province.

We do not think any encouragement should be given to a debtor to avoid payment of his debts. It is a well-known fact that frequently in Insolvency Court proceedings creditors are deprived of their dues owing to the fact that the property of the debtor has previously and obviously in anticipation of insolvency proceedings being transferred to some other person for the time being. It is not unlikely, however, that a debtor who, through no fault of his own but through bad luck has become hopelessly involved, might benefit by a Rural Insolvency Act. It is true that in case of insolvency all his goods would have to be made over to the receiver for realisation. So far, there would not appear to be much difference between this and the attachment of all assets in civil court execution proceedings in the case of a sustaining decree. But we think that insolvency proceedings would have this advantage that the discharged bankrupt would be a free man with no fear of subsequent steps being taken against him by his former creditors, whereas in the case of execution proceedings in the civil court, the debtor might still be pursued by his creditors if he managed to accumulate some assets subsequently. It is not improbable of course, that a debtor who filed a petition for insolvency might find it difficult to meet with any one willing to allow him credit after his discharge. In the long run, this might, however, be to the advantage of the debtor. It might make him work harder and exercise more prudence in future. Again, the very existence of a Rural Insolvency Act, suitable for agriculturists, might make the money-lender more cautious in lending and this in itself would be a not undesirable result. If there were such an Act, a creditor might also be more willing to compound with his client. We all are in favour of a Rural Insolvency Act, suited for the ordinary agriculturists. We refrain from attempting to sketch the outlines of such an Act. We content ourselves with having given reasons for thinking that it may benefit the cultivator who is hopelessly indebted. But we again stress the fact that the Act should not be the means of enabling the debtor to evade his just obligations if he is at all in a position to pay. The burden of

proof would be on him to prove that he could not pay. Nor would we allow use to be made of the Act for petty debts of less than Rs 200. We would also tighten up the provisions of the existing Act so as to make it less easy for the insolvent to escape payment for just dues.

172 *Legislation to promote a better record of rights or to protect tenants' rights*—Elsewhere we have stated that there is no record of rights for the permanently settled areas of Sylhet and Goalpara except for a small area in Sylhet where a record of rights was completed but not kept up-to-date. We are aware that a few years ago the project of a record of rights for the whole of the permanently-settled area in Sylhet was discussed by the Legislative Council and vetoed. The heavy financial cost of the undertaking was one of the deciding factors which led to the rejection of the proposal. Those of us, however, who are acquainted with the Surma Valley believe that there is now some change in the point of view of the Sylhet people and a greater recognition of the advantages which would accrue from a record of rights which was regularly kept up-to-date. From the standpoint of agricultural finance we have no doubt that a record of rights would improve the credit of the agriculturists. The creditor would know exactly what the debtor owned and would be in a better position to decide how much might be safely lent on the landed security and mortgage banks would also find their operations greatly facilitated. But a word of warning is required. A record of rights will be of little value unless it is regularly maintained and necessary corrections made from time to time. We admit that the cost of the staff which would be required for this purpose would be heavy. We think that a record of rights for the permanently-settled portion of Goalpara district is equally desirable.

We have next to consider legislation for the protection of tenants' rights. We have already touched on this subject in Chapter II in dealing with the system of land tenure. Very recently, Goalpara has been given the benefit of the Goalpara Tenancy Act. The sections of that Act in which we are primarily interested in our present enquiry are those which deal with the acquisition of occupancy right and with transfers and mortgages. These rights are of vital importance from the point of view of agricultural credit. In Sylhet some of these matters are ill-defined by law and by custom. We recommend that Sylhet should have also an Act on the analogy of the Goalpara Tenancy Act. Neither district has a record of rights for the permanently-settled area, nor is there any prospect of one in the near future but it will be a substantial boon to Sylhet if it have at least a Tenancy Act of its own.

Leaving out of consideration the complicated question of the rights of tenants of *nis/-lhi ajdars* and *lulhiraajdars* in Kamrup, we would point out that tenants holding under the lease holder in Government lands in both valleys have no occupancy rights nor can they mortgage their lands. In Chapter II we stated that from time to time proposals to rectify this had been discussed but ultimately dropped. Four of us are in favour of conferring occupancy rights on those who have acquired the status of settled raiyats as defined in section 15 of the Goalpara Tenancy Act but would allow no right of transfer without the landlord's consent. We think that the conferment of such rights would lead the raiyats to improve their land and would improve their credit for borrowing. We admit, however, that there are many factors to be considered, *eg.*, the number of

raiyats in Government land who are tenants of lease-holders, the absence or otherwise of exactions by landlords, the position of tea-garden coolies cultivating within garden land, and the demand or necessity on broad general lines for undertaking such legislation. One of our members thinks that we need not express an opinion but that the views of the public should be invited.

173. *Delay in the disposal of cases and execution of decrees*—Most of the complaints we have received relate to the delay in execution proceedings which concern the sale of land. It is with considerable diffidence that we venture on an expression of opinion, partly because we think that the matter has been fully dealt with by the Civil Justice Committee, and partly because we realise that certain formalities in execution proceedings are unavoidable. Under Order 21, Rule 66 of the Civil Procedure Code a preliminary notice must issue to the debtor to settle the terms of the sale; there is almost unanimous evidence that the debtor rarely appears. Rai Bahadur Satis Chandra Dutta, Government Pleader of Sylhet, however, does not favour abolition of the notice. We are not sure whether it is necessary to have both the preliminary mortgage decree and the final mortgage decree. Some of us think that the preliminary decree might serve as the final decree provided that reasonable time is given to the judgment debtor to pay up. On his failure to do so by a given date, the preliminary decree would become *ipso facto* the final decree. The Government Pleader, Sylhet, would not dispense with notice before the sale proclamation because "this is a safeguard equally for the protection of the creditor, as calculated to save him from frivolous objections afterwards." The notice of one month before arrest might, perhaps, be shortened. Quite apart, however, from long-drawn-out legal formalities, we think that much of the delay in the disposal of civil suits and execution proceedings is due to defects or dishonesty in the process serving staff. We know that Government are prepared to increase the staff of peons where their numbers are proved to be insufficient, but for laziness, inefficiency, and dishonesty we have nothing to suggest but better supervision. Our experience is that complaints of dishonesty are seldom brought to the notice of a gazetted officer. Where there is no complaint it is difficult to take action. Our attention has been drawn to the fact that some Munsiffs, especially in the Assam Valley, find little time for execution work owing to the pressure of other duties. As civil work is increasing in the Assam Valley, more officers are probably necessary. We might note that it is especially in execution cases that there is delay in the service of notices and personal services is not so common as it could and ought to be.

174. *Legal obstacles against the realisation of just claims of money lenders*—The main grievances of decree holders, beyond what we have specified in the proceeding section, are that interest is rarely allowed by Courts from the date of passing of the decree and that too lengthy instalments for repayment are granted to judgment debtors. We are against any interference with the discretion of the Court in those matters. As regards interest after decree, we think that in refusing to pass orders for interest, the Civil Judge takes into consideration the fact that the interest allowed in the decree itself is usually by no means low and that it is not unfair to decline to grant further interest. In cases where the debtor is allowed to pay the decretal amount by instalments, we suggest that

might be reasonable to allow a moderate rate of interest—six per cent—on instalments which are due for repayment after the expiry of one year. If the instalments are fully paid up within one year, no interest need be granted. But what we make is only a suggestion. A Court in the exercise of its discretion may well have sound reasons for taking a different view. The law allows full discretion to the Civil Judge to allow payment in instalments even without the consent of or against the wish of the decree-holder. We would not interfere with this discretion. It is only fair that the debtor should be allowed reasonable time to pay up. If we accept this principle and we believe it is correct—then it follows that there will be cases where two or three years must be allowed for payment. The instalments also may be of small amount, the criterion is what the debtor can be reasonably expected to pay every quarter or in some other period. There is always a condition in the decree that if there is default in any one instalment, then the whole amount still due can be realised at once. We believe that instalments are generally paid with fair punctuality. It may seem hard that the creditor should have to wait for two or three years before he is repaid in full but it will often be found that he lent more than was prudent or allowed the loan to run on unpaid for years instead of taking prompt steps for early recovery.

175. *Equitable mortgages*—When a loan is secured by the deposit of title it is known as an equitable mortgage. Though no legal transfer of property takes place, the banker has an equitable title to realise the amount due, by the sale of the securities deposited with him. Such mortgages save time and trouble to the banker if he is satisfied as to the quality of the securities, and the borrower is also able to get a loan without delay. The security may also take the form of stock exchange securities. An equitable mortgage is also advantageous from the borrower's point of view as it means less publicity. To the lender there are certain disadvantages, e.g., the existence of a previous legal title of a third party, or delay in realising the securities unless the creditor holds a rotete of any power from his client authorising him to sell in case of default. These equitable mortgages, however, are only in force in the Presidency towns and in two or three big trade centres, presumably because it is in those places that immediate loans are required for trade purposes. Though Mr Roffey, Solicitor, in his evidence, suggests that equitable mortgages might be extended to the headquarters of districts in Assam, we are unable to recommend this in the absence of any representation from the mercantile community.

176. *Titles in land*.—We have nothing to add to the remarks which we made when discussing the question of record of rights, occupancy rights and right of transfer of land. We have already suggested that Government might enquire into the feasibility, in the case of a joint pattā for Government land, of specifying the precise shares of each individual owner.

177. *Cost of lending and recovering money e.g., stamp fees, court fees, registration fees, etc.*—It was only after we had finished recording evidence that the Central Committee asked for information under this head. The object was to institute a comparison of the cost at both ends incurred by banks with that incurred by Co-operative Societies. We were unable, at that stage, to make any enquiry on this point.

PART V.

INDIGENOUS FINANCE.

CHAPTER XIII.

Indigenous banks and bankers.

History, extent, number and methods of business, capital, deposits, cash balance, lines and terms of advance, establishment clientele, relation to agriculture, trade and industry, relation to joint stock banks and Imperial Bank and other banking institutions.

178. *Definition*—At the outset, we ought to make it clear what we mean by the term “indigenous banks and bankers” as employed in this section. It includes all banks and bankers other than the Imperial Bank, the Exchange Banks, Joint-stock Banks and Co-operative Banks. It excludes all concerns registered under the Indian Companies Act, VII of 1913. Loan offices, industrial and town banks registered in the province under the above Act would not come under the purview of this section. The term includes any industrial or private firm receiving deposits and dealing in *hundis* or lending money. The essential element is the receipt of deposits. If deposits are not taken, the individual or firm is not an indigenous banker or bank but will be dealt with in Chapter XIV, as a moneylender or a produce merchant who makes advances. This definition of “indigenous bank or banker” as laid down by the Central Banking Committee is, in our opinion, somewhat arbitrary and we have found considerable difficulty in applying it to concerns in Assam. The witnesses we have examined and those who have sent replies to the questionnaire often make no distinction between Marwari firms which receive deposits and lend money, ordinary money-lenders and loan offices and joint stock banks in Assam. As the terms “bank”, “banking business” have never been precisely defined either in English or Indian Law, it is not surprising that there should be some confusion in the practical application of the term “indigenous banks and bankers”. So far as Assam is concerned we think only certain Marwari firms which are more or less confined to the Assam Valley would come within the scope of definition but only in so far as they receive deposits and deal in *hundis* or lend money. We believe that all such indigenous banks and bankers also engage in some form of trade or commerce and we have found it impossible to draw any clear line of demarcation between the banking business and the trade business. It is interesting to note that in the end of 1926 the Government of India pointed out that little information was available as to the banking facilities afforded by the indigenous banking system in India. All Provincial Governments and the Managing Governors of the Imperial Bank, as regards places where there were branches of the Imperial Bank, were requested to compile lists of all non-incorporated banks. For the purpose of that enquiry, a bank was defined as an institution which receives deposits of money on current account subject to withdrawal by cheque or draft. The Managing Governors of the Imperial Bank submitted the names of several Marwari firms of Dibrugarh and the name of one Muhammadan firm in Shillong. The Government of Assam at first submitted a long list of firms in the districts of Kamrup, Darrang, Sibsagar,

Goalpara and Lakhimpur in the Assam Valley and the names of an English firm and an Indian Joint-stock Bank in Cachar. The Government of Assam, in forwarding the list, pointed out that although all those firms were reported to have banking transactions, there was some doubt as to whether they satisfied the definition of bank as laid down in the letter of the Government of India. It was stated that the cheques of only two of the firms in the list ever passed through the two local branches of the Imperial Bank. In a subsequent letter, the Government of Assam submitted a revised list, containing the names of only the two Cachar firms, of one Marwari firm with its head office at Dibrugarh, and of one European agency house in Sibsagar. The other firms mentioned in the first list were omitted as they failed to satisfy the definition of a bank given in the Government of India's letter. Probably the emphasis laid in that letter on current accounts and on the use of cheques was the deciding factor in cutting down the original list.

179. *History*.—The history of indigenous banks in Assam is shrouded in obscurity. We know that there are Marwari firms which started business in Assam 80 or 90 years ago. From Gait's "History of Assam" we find that about 1835 "a number of enterprising Marwari merchants had already established themselves in the province." It was about this time that British rule in the Brahmaputra Valley was being consolidated. We think that it would be correct to say that the growth of Marwari enterprise was *pari passu* with the development of the tea industry. The Marwari and the tea-planter were the two pioneers in the Assam Valley. Tea was first manufactured in Assam in 1837, though not on a commercial scale. By 1853 tea gardens had been started in Upper Assam and in the next few years the industry made rapid progress. It does not necessarily follow, however, that in the early stages of their existence in Assam, Marwaris engaged in banking business. The probability is that their business at the beginning was trading pure and simple and indeed this is the main function that they perform at the present time. Any banking business they transact is only secondary, in business parlance, what we might call a side-line.

180. *Extent and number*.—The indigenous banks or bankers in Assam are practically always Marwaris and are to be found mainly in the Upper districts of the Assam Valley, especially where tea-gardens are numerous. They are fewer in number in the lower districts of the Valley, and comparatively rare in the Surma Valley, though there are one or two firms which receive deposits and lend money. We have been unable to obtain statistics as to the number of such banks or bankers. In the Upper Assam Valley it would perhaps be correct to say that, as a rule, it is only the whole-sale firms in town which receive deposits, it is not generally the custom to make deposits with the smaller retail firm. Village Marwari mahajans rarely receive deposits. The large Marwari firms have sometimes branch shops in the villages and in the tea-gardens. Some of the bigger firms have also branches in the chief towns of the Assam Valley.

181. *Capital and deposits*.—We have been unable to obtain any information of any value as to the volume of capital and deposits in the banking business of Marwari firms. Babu Balchand Karnani, partner of one of the leading firms in Jorhat states that he holds Rs 40,000 or Rs 50,000 in deposits on which he pays 6 per cent interest. All are on current account.

Where a depositor keeps his own *hatchitta* the deposits are entered in the *hatchitta*. In other cases, receipts are granted, while some people take no receipts. Babu Bridhi Chand Maheswari who represents the largest indigenous banker in Assam accepts deposits at 4 to 6 per cent interest. All deposits are on current account. The variation in the rate of interest depends on Calcutta and on the local markets and on the extent to which the firm requires funds to supplement its own capital. This witness gives no indication of the volume of deposits, the firm has branches in all the chief towns in the Assam Valley. Babu Balebaksh Agarwala of Nowgong has deposits of about $1\frac{1}{2}$ lakhs on which he pays interest varying from 5 to 12 annas per cent per month. All deposits are payable at call. One person had deposited Rs. 40,000. Mymensingh settlers sometimes keep short-term deposits. No receipt is given by him to depositors but only an entry is made in the account of firm. Babu Lal Chand Seog, a member of one of the largest firms in Tezpur, accepts no deposits though some other firms do. The evidence of Babu Suklal Oswal, Gauhati, is that very few deposits are made with the Marwari firms in Gauhati, but where they are accepted interest is allowed at 6 per cent. Babu Hastmal Oswal of Dhubri accepts deposits but pays no interest, he adds that there are Marwari traders who pay interest at 9 to 11 per cent on deposits which are used by them in business. The firm to which this witness belongs has its head office in Calcutta and any money required for business is obtained from Calcutta by supply bills and *hundis*. Babu Chhotelal Vaisya of Silchar says he occasionally receives deposits at 7 per cent interest. Babu Gangadhar Tsnial of Sylhet receives deposits at 6 to $7\frac{1}{2}$ per cent interest. The lower rate is for deposits withdrawable at a month's notice. The higher rate is paid on fixed deposits for one year but withdrawal is allowed two or three months before maturity without any reduction in the rate of interest. Generally, no deposits receipt is given. The volume of deposits is small because local joint stock and co-operative banks in Sylhet offer higher rates.

We should note that indigenous bankers in Assam do not invite deposits. People know, however, that deposits are accepted and are, indeed, welcomed when the Marwari firms required money in the busy season. There are several reasons why people prefer to deposit with the Marwaris. They have confidence in the safety of their money (especially with old-established firms) the money can be readily withdrawn without any formalities whenever it is required, and they find it convenient to deposit with a firm with which they may have other business transactions. We think that one reason why deposits with Marwari firms in Gauhati have decreased is that one firm, some 5 or 6 years ago, failed, and the depositors who were largely Sualkuchi traders lost their money. In Sylhet, the reason for the decrease in deposits is rather different. People have marked confidence in the Sylhet Loan Company which offers reasonably high rates for deposits. There are considerable variations in the rate of interest on deposits. It depends largely on the extent to which the Marwari requires funds for purposes of trade, and on the degree of confidence reposed in the firm. Deposits come mainly from traders, businessmen, and the salaried middle-class. In the Assam Valley, it is a common custom for *mauzadars* to keep their revenue collections in deposit with a Marwari firm until they have to pay them into the treasury. For such deposits, interest is not usually allowed because the Marwari knows that the money cannot

remain long in his hands. Mauzadars are generally allowed to overdraw but in that case they will have to pay 15 to 18 per cent interest. Deposits with Marwaris are generally at call and are in the nature of a current account. This is a great advantage to the depositor. The practice of granting receipts varies but we think that there is a growing tendency to give receipts.

Deposits, however, do not constitute the bulk of the working capital of the trading business of Marwari firms. They depend mainly on their own capital and on occasional loans from local Marwaris or on cash credit with their Calcutta houses and agencies. Goods are also obtained on credit.

182. *Methods of business.*—Indigenous banking in Assam is always combined with trade and no separate accounts are kept of the banking side of the business. The loans, especially in the Upper Assam districts, often take the form of advances to be repaid in crops to be sold on the commission system but such advances are not usually given by the bankers direct to the cultivators but through the village mahajan. If the latter is not a representative of a town firm he works partly on his own capital and partly on advances which he obtains from the Marwari banker, usually at 9 to 12 per cent interest. It is estimated that such borrowings comprise about 75 per cent of his working capital. The Marwari bankers transact a large volume of business in *hundis*, especially in the Assam Valley. The cashing of garden *hundis*, cheques or drafts at rates which vary from 2 annas to 8 annas per cent is an important part of the Marwari business in every tea-district. Besides this, there is a fairly extensive business in cashing or issuing Bazar *hundis*. There is naturally no fixed rate for such transactions, it all depends on the strength of the demand for cash for local business or on the demand for *hundis* to remit cash to Calcutta or elsewhere. Babu Balchand Karnani of Jorhat says that in the local bazar *hundis* to the value of Rs. 15,000 can be sold daily. One Dibrugarh firm deals with 3 or 4 lakhs of *hundis* monthly. The transactions in *hundis* in Gauhati are said to amount to one crore of rupees in the course of a year. One Nowgong firm deals with 30 lakhs of *hundis* annually. Naturally, however, the volume of *hundi* business is small compared with what takes place in trading centres in other provinces. Some of the indigenous banks issue cheque books but usually the cheques have only a limited local circulation, and would not generally be accepted outside the area of issue.

183. *Cash balance.*—We understand that a cash balance of the banking business as a distinct entity is unknown among the indigenous bankers in Assam. The accounts of banking and trade business are amalgamated. There is no reserve fund or specific provision for liquid resource for repayment of deposits. If a banker has a superfluity of cash in the slack season—this is from June to September in Dibrugarh—it is usually sent to a Calcutta mahajan or bank to earn interest at about 6 per cent.

184. *Lines and terms of advances.*—It is necessary to discriminate between pure banking loans and advances for repayment in crop. As regards the former loans these are granted by the indigenous bankers to local Marwaris who require funds, the rate of interest is 9 per cent and the loan is generally repaid after 2 or 3 days. It is not unlike an overnight or a seven-day loan on the London Money Market, as regards the

period, though issued under different circumstances and at a fairly high rate of interest. Loans are also granted to clients of the middle classes and very occasionally to substantial agriculturists. The usual rate of interest in such cases is probably 18 per cent. Much depends, however, on the character and standing of the borrower and the nature of the security. As a rule, no security is taken for small loans. The practice of lending money on the execution of bonds varies. Often an entry in the *khata* is all that is required. At the end of the period, if principal and interest are not paid, the total balance continues with compound interest if the rate of interest is moderate. It is not the custom to accept payment of small instalments of the principal unless the interest has been paid up in full. If the bond specifies that the loan is to be repaid within (say) six months then the Marwari is bound to accept payment, if tendered, before the six months expire. This is the usual form of bond in Upper Assam. If, however, the security especially in the shape of a mortgage of land, is good, the bond usually states that payment is to be made on the expiry of (say) six months. In that case the creditor is not bound to accept earlier payment. The indigenous banker does not enquire into the purpose of the loan, he does however, to a large extent, look to the security. The banker will not go to court as a rule so long as some interest is paid to save the period of limitation and so long as the security remains safe. He prefers to allow the loan to run on and earn interest and will extend the term of the loan if necessary. The Nowgong Marwari witness states that while in some cases a sum of Rs 1 000 may be lent without a bond to the Assamese cultivator, bonds are always taken from Mymensingh settlers. When sums of Rs 500 or Rs 1,000 are lent, the period is generally for 4, 5, or 6 months. This witness does not make advances for jute, but lends to cultivators and to Beparis who are not bound to supply jute. The annual amount lent is from $1\frac{1}{2}$ to 2 lakhs. The rate of interest is 12 to 36 per cent. Occasionally security is taken. The leading Dibrugarh Marwari lends to Marwaris who are related to the partners or to whom the firm is under some obligation at 8 per cent. The Dhubri Marwari witness says that for loans to Marwaris or other traders, he charges 9 to 12 per cent. From those no security is taken. To others including agriculturists, the rate varies from 12 to 36 per cent depending on the credit of the borrower. Sometimes land has to be mortgaged. A Gauhati Marwari witness says that lending business is now small owing to the difficulty in recovering the money. Babu Gangadhar Tushnet of Sylhet lends at from 14 annas to Rs. 3-2 a month, with or without security according to the credit of the borrower. When compound interest is charged the rate varies from 14 annas to Re 1-4 a month, when simple interest is to be paid, the rate is from Re. 1-4 to Rs 3-2 a month. Loans on simple interest are usually given by him on the joint liability of a group of persons.

185 We now turn to advances which are given for crop. The banker usually lends to the village mahajan at from 9 to 12 per cent. There is an understanding that the banker will receive the crop for sale on commission, the banker qua trader will charge a commission at varying rates from one to three annas a maund or some percentage such as 1 per cent on the value of the crop, for selling it. The village mahajan usually lends to the cultivator at $37\frac{1}{2}$ per cent though sometimes not more than 24 per cent is realised if the crop is punctually made over. Babu Matichand

Oswal of Gauhati says that he lends to the Sualkuchi mustard beparis at 12 to 18 per cent. "The firm has the first claim to buy seeds from them and they would sell to the firm usually an anna or $1\frac{1}{2}$ annas less per maund and the firm would grant some remission in interest, claiming (say) 12 per cent instead of 18 per cent. But interest is never less than 12 per cent." The capital of an average tell trader in the villages is said to be Rs 3,000 or Rs 4,000 but he is not a banker. In Upper Assam the usual season for produce advances from the bankers is December to April. As a rule, the Marwari bankers do not advance cash to the Telis.

One point that we think should be noted is the large margin between the rate of interest at which a banker lends to the village mahajan and the rate which the latter charges for an advance to the cultivator. We admit that the village mahajan takes a greater risk, which partly explains the high rate of interest, but we consider the rate of $37\frac{1}{2}$ to be excessive. Babu Br dhichand Maheswari says "the rate of $37\frac{1}{2}$ per cent is high in my opinion, but lenders at such rate undertake risks." Babu Balchand Karnani remarks "in my opinion the rate of interest charged by the village money lenders is very high."

With such a high rate of interest, agriculture in Assam can never be a profitable undertaking to the cultivator.

186 *Establishment* — As a rule, in large Marwari firms which transact banking business there is a partner in charge. Branch shops in the villages or tea-gardens are usually run by gomasthas or managers. There are also servants in the business who are almost invariably Marwaris. It is not rare, however, to find Bengalis or Assamese in charge of English correspondence. They also look after the booking and receiving of goods. Many Marwari firms in Assam after a few years business, set up a branch in Calcutta. Up-country men from Behar or elsewhere are generally employed as Darwans. They also assist in the collection of dues. Cartmen are also generally on the establishment. Most of the Marwari gomasthas and servants have been brought up in the business or at any rate have had some previous experience in trade. Before one can become a gomastha in charge of a shop, some practical training is required. Recruits are brought down from the home district to serve an apprenticeship. All servants in addition to their pay receive their messing. The gomastha in charge of a branch shop in a tea-garden might get Rs 300 annually as pay with $12\frac{1}{2}$ up to 50 per cent commission on net profits. It is not common for Marwaris who have served for years in a particular shop to leave or start a business of their own. It is also against the business etiquette of the Marwaris to make use of knowledge gained while in the service of a former employer. Where the volume of banking business is considerable, a Marwari cashier is employed.

187. *System of Account Keeping* — We may deal briefly with Marwari accounts. We do not suppose the system differs from that in vogue among the Marwaris in other provinces. The three main account registers are the *rohad*, *khata* and *nahal*. In the *rohad* or cash book daily cash transactions are entered. Some firms keep a *hatcha* and a *pucca rohad*. We have already stated that no separate registers are kept for banking business. All transactions whether of banking or of trade business are entered in the same registers. The *khata* is the personal ledger. It is written up daily or after an interval of two or three days from the

entries in the *rolad* and the *nalal*. The *nalal* is the register for goods taken on credit. If the *nalal* is not kept, credit transactions are entered in the *rolad*. Deposits are first entered in the *rolad* and then pos'ed to the personal ledger in the *khata*. The same would be the case with loans. No separate register is kept to show bad debts. Any bad debts which are written off are credited in the *khata* and debited in the profit and loss account, which is called the *batta khata*. It is this *batta khata* that the Income Tax Assessor would first call for. Interest is usually calculated by a most elaborate process. Our information is that though the cash balance for the Marwari year is worked out yet sometimes the accounts are not compiled for 2 or 3 years. The accounts are kept in the Nagri character with the *mahajan* numerals. In recent years Income Tax officers have had to undergo a training, in reading Marwari accounts. We do not think that pleaders or munsiffs, can read Marwari accounts, with perhaps a very few exceptional cases where they may have some smattering of the script, acquired after many years of dealings with Marwari clients.

188 *Clientele* —We would refer to the paragraph in which we discussed the "lines and terms of advance". We mentioned there the main classes to whom the indigenous banker lends. We might add a few words as to the dealings of the Marwari in so far as trade is mixed up with banking.

So far as pure banking is concerned, the main client of the Marwari banker in the Assam Valley is the village Mahajan and also tea-gardens and middle class townsmen. As regards sale of goods in garden shops, transactions are usually in cash whereas in village shops credit is generally allowed except for goods of trifling value. Town customers to a large extent take goods on credit. Loans are mixed up in the *khata* with the account of goods taken on credit. Big Marwari firms generally charge village or garden shops which take goods from them about 5 pice in the rupee above the invoice price. If the Calcutta rates have risen since the wholesale firm received its consignment, the village shop may have to pay something extra. Wholesale firms are allowed credit by Calcutta firms in the case of foreign cloth only and usually a rebate of one pice in the rupee is allowed but interest will run from the date of despatch of the goods from Calcutta. If a person wishes to borrow from a Marwari banker, it is not the practice to ask or insist that he should take goods instead of cash but this is usually done by the village Marwari.

Sometimes the indigenous bankers allow cash credit to approved persons like merchants and traders. The *khata* accounts are debited with the amount. This is often done in the case of Muhammadan and Telu traders. Generally, cash credit is allowed without security. Though called a cash credit, this is really more of the nature of an overdraft or loan. There is no system of allowing a customer a cash credit (say) of Rs. 1,000 and allowing him to draw up to this amount.

189 *Relation to agriculture, trade and industry* —We may briefly summarise what has already been stated in various places in the report. The indigenous banker finances agriculture in the Assam Valley chiefly by granting loans or advances to village Mahajans, *beparis*, or other buyers of produce. To a small extent loans are granted direct to agriculturists of substance and usually without any stipulation that repayment is to be made in crop. There are occasions, when he grants temporary accommodation to

Marwaris and other traders and merchants. In trade, he plays an important part by cashing Bazar *hundis* or in selling *hundis* drawn on a Calcutta agent. In industry he does little in the way of granting loans. We have information about occasional loans to weavers and to a soap maker. The tea-industry, on the other hand, depends on him for cashing *hundis*, cheques, and drafts for the payment of garden labour and there is usually a Marwari shop in the garden for selling goods to the coolies. It is only rarely however that he finances gardens for current expenses on the hypothecation of crop though we have evidence of such cases. His funds are mainly required for financing his own business, usually that of a produce merchant. It is the business he knows most about and from which he is likely to derive more profit than from tea-finance. In a few cases he finances mustard-oil mills and rice mills which, in Assam, are usually in the hands of the Marwaris.

190. *Relation to joint stock banks, and the imperial bank and other banking institutions*—The indigenous banker in Assam has practically no dealings with joint stock banks or loan offices in Assam. He does not borrow from them nor does he make deposits. Quite apart from any question of confidence in these banks, he has practically no occasion to place fixed deposits with them because he may require his money at any time. If he wants to borrow, he can get loans cheaper elsewhere. Occasionally Marwari banks sell *hundis* to local banks and loan offices if cash is wanted for tea gardens. Several of the indigenous banks have however, current accounts with the big Calcutta Joint Stock Banks, Marwaris are the cashiers of the Shillong and Dibrugarh branches of the Imperial Bank. Some of the Marwaris keep current accounts with these branches, and can get *hundis* and cheques cashed there. At the Dibrugarh branch the rate of discount for cashing *hundis* and cheques is $2\frac{1}{2}$ annas per cent where the Marwari has an account with the bank, and 4 annas in other cases. If a *hundi* can be cashed at a cheaper rate in the Bazar—and this can sometimes be done at par—it would not be taken to the bank. Marwari banks also use the Imperial Bank branches for remitting money to Calcutta by supply bill or telegraphic transfer or they receive money by the same means.

191. *Facilities required*.—Some witnesses have said that increased facilities are wanted for obtaining temporary accommodation when funds are urgently required by the indigenous banks. For want of information from the branches of the Imperial Bank, we are unable to say to what extent temporary accommodation is granted, but we have little doubt that the Imperial Bank would be only too willing to extend its business in this kind of loan provided security in jewellery or other suitable form was given. We are inclined to think that the indigenous bankers do not make as much use of the Imperial Bank branches as they could. As for places where there are no branches of the Imperial Bank, we are of opinion that no bank could hope to pay its way simply by granting occasional accommodation. As a matter of fact, we doubt if there is any serious difficulty in getting temporary accommodation because Marwaris usually assist each other. We suggest that in some centres they might find it helpful to establish a bank among themselves where their numbers justified this. In Chapter X we made certain suggestions for reduction of the charges on Supply bills and telegraphic transfers. We also dealt with the complaint about the difficulty in obtaining currency notes of large denominations for cash.

We are informed that a good deal of confusion prevails as to the proper value of the stamp to be affixed to a hand note or promissory note. Apparently there has been some change in the rule in recent years. We are told that many such documents were held to be inadmissible because they were insufficiently stamped. The suggestion has been made that it would be more convenient to have a uniform rate of 2 annas irrespective of the amount entered on the note.

192. Licensing publicity of accounts attitude towards some sort of Governmental supervision and methods to secure stability and confidence—

We think it would be proper to consider all these questions together. In brief, the suggestion is that because persons place deposits with the indigenous banker, it is in the public interest that there should be some measure of supervision over the banking business including perhaps publicity of the accounts. Now, the indigenous banker does not invite deposits as most registered banks do. He does however, accept them. If a depositor were to complain that the indigenous banker does not publish his accounts, it would be open to the banker to say "I did not ask for your deposits you knew that I never publish accounts. you deposited with me because you thought your money would be safe and would bear interest. If you are not satisfied, take back your deposits." We think that the retort is not unreasonable. One argument against any system of licensing, publicity of accounts, or any sort of Government control is that in Assam, at any rate, the banking business is secondary to the trading side of the firm's operations, and that the accounts of both branches of the business are not kept separate. Again deposits, we believe, form only a small portion of the working capital of these concerns. We are unable to countenance the idea that there should be any control or publicity or supervision in the trading part of the business. There could be no justification for singling out the Marwari as the object of attention so far as this goes. The problem, therefore, reduces itself to this—Should the indigenous banker be compelled to keep his banking business entirely separate from his other business, with separate accounts which may be required to be published? Section 4 of the Indian Companies Act, VII of 1913, lays down that no company, association or partnership consisting of more than ten persons shall be formed for the purpose of carrying on the business of banking unless it is registered as a company under this Act. It is just possible that there are Marwari firms in Assam, which, according to this definition, ought to be registered under the Act, but this has only been hinted at during our deliberations, and we have no evidence on the point and moreover most Marwari firms are joint family concerns. We may assume therefore that the indigenous banker in Assam does not come under the purview of the Indian Companies Act.

193. The Government of India some 15 years ago, considered whether the term 'bank' 'banker' 'banking corporation' should not be restricted to a concern registered under the Indian Companies Act. While there was a general agreement in commercial circles in favour of restriction of the use of the term 'bank' there was some difference of opinion in regard to the use of the term 'banker'. It was pointed out that individuals like shroffs and firms who received deposits from the public in the busy season for financing their trade operations frequently styled themselves 'bankers'. Those who were in the best position to express an opinion—both European and Indian leaders in the commercial world—were not in favour

of legislation which would, in any way, restrict or control the banking business of such individuals or concerns. Some thought they should be allowed to use the term 'banker', others did not. It was pointed out that such individuals and firms performed most useful functions in commerce and trade and were the means of inducing the public to make deposits which would be used in trade and agricultural finance instead of being hoarded up. It was thought desirable that this healthy movement should be checked in any way. Moreover, the depositors had confidence in such bankers as regards the safety of their deposits. So far as we are aware, no practical results emanated from these discussions. We do not think that the Marwari firms in Assam which transact banking business use the term 'bank' though some do call themselves 'bankers'. To the ordinary depositor of Assam we do not believe that either of these terms conveys any special significance though in some provinces the term 'bank' may convey greater prestige than 'banker'. So far as Marwari firms in Assam are concerned we doubt if there is any such distinction. In any case, we do not think that the depositor in Assam regards the firm as a 'bank' or 'banker' but simply as the 'Marwari' or the 'Mahajan'.

194 In our opinion though it might be possible for the Marwari banker to keep separate accounts for deposits received and for pure banking loans we doubt if it would be feasible for him to do so in respect of advances which are given out to village Mahajans and to individuals for repayment in crop. The so-called accounts of banking business, if confined to a statement of deposits or ordinary loans such as a registered bank keeps, would be very incomplete and would give a very misleading idea of the actual facts. We all agree that if the complete banking accounts could be kept separately, it is desirable in the interest of the depositor, that they should be duly published and that they should be properly audited. We believe, however, that the Marwari community would object to any form of publicity or any form of Government control. Though this should not stand in the way of any legislation which may be for the public interest, at the same time, we do not think that the complete accounts of banking business can, in the case of the Marwari firms in Assam, be kept separate. There would also be some difficulty about the accounts of branch shops. We therefore have come to the conclusion that in respect of the Marwari banking business, no steps should be taken to enforce publicity of accounts or to impose any sort of Government supervision. We believe that the true state of affairs of any Marwari firm could be disclosed only by the publication of the annual balance sheet of the combined business of banking and trading and this we think no one has a right to demand. It is unreasonable to expect that any private trading firm should reveal its trade secrets. We believe that Marwaris also apprehend that their credit and stability might be shaken. It is true that in Britain, private bankers have annually to submit certain returns to the Commissioner of Stamps and Taxes; these returns, however, do not, we believe, include information as to their financial position. At the same time, several of these banks, recognising that publicity of accounts inspires public confidence, have begun to issue balance sheets, duly audited by qualified accountants, though they are not required to do so by law. We could suggest that Marwari bankers might adopt a similar policy, if at all feasible. We must not, however, overlook the fact that the English private banker does not, we understand, engage

in trade and so finds no difficulty in compiling accounts of his banking business it is otherwise with the Marwari. Whether accounts are published or not, we would impress upon the Marwari banker-cum-trader that it is in his own interest as well as that of the depositors to conduct his business, in all its aspects, on safe and sound lines. We have already suggested that one reason why there are now fewer deposits in the Marwari firms in Gauhati is that public confidence has been shaken owing to the failure of one firm. We may add that the volume of deposits in Marwari shops in Dibrugarh is now less, partly because people prefer the greater security of the branch of the Imperial Bank but partly because in recent years, two Marwari firms failed, largely owing to speculation in sugar. We understand that one paid up the depositors while the other did not. We might also cite the case of a Shillong Muhammadan firm which failed some years ago. That firm accepted deposits and carried on banking business in addition to extensive general trade. Depositors suffered a heavy loss. If public credit is shattered as the result of unsound business, involving the loss of deposits, the banker-cum trader who may be conducting his business on sound lines will suffer as well as the rash speculator who goes into the bankruptcy Court. Deposits may form the minor part of his working capital—but they are at least a substantial part, perhaps 20 or 25 per cent—and if he cannot obtain deposits his business must dwindle or at least become less profitable if he has to pay a higher rate of interest on any loans he may require for carrying on.

195. *Linking with the general banking system*—Rome was not built in a day and a closer connection between indigenous banking and the general banking system must be a plant of very slow growth. Indigenous bankers though they may not know English, are by no means illiterate. They have long experience of their own banking methods which, in the light of western ideas, may appear old-fashioned. But we believe that if sound banking is to expand, it is in their interest to be less conservative and to realise that they can not keep apart from modern developments. With their native shrewdness they will, we hope, in course of time grasp the fact that the assimilation of new methods is to their own self interest. They have the great advantage that they are in close daily contact with their clients. Their vast stores of knowledge of the agriculturist and of Mofussil trade form a great asset. The indigenous banker-cum-trader cannot be dispensed with. There is no one to take his place, and without him in Assam, not only would the ordinary cultivator find it exceedingly difficult to dispose of his produce but the tea-planter would experience much trouble in obtaining coin for payment of his labour. At the same time he lends at too high a rate. This is because his business contains a considerable element of risk and of speculation. It is true that it is the village Mahajan rather than the indigenous banker in the town that lends to the cultivator at high rates like 37½ per cent and sometimes more. But the indigenous banker is linked up with the village mahajan. This rate of interest is high mainly because it is in the nature of an insurance for the risk taken and partly because, in many cases, the Mahajan realises that his client is a poor ignorant villager who must have a loan at any cost or who, at any rate, pays little consideration to the rate of interest and visualises no possibility of getting cheaper finance. In Chapter VIII in the section dealing with "further facilities

required " we have suggested that no radical improvement in agricultural finance can be hoped for unless the cultivator is better educated, becomes more thrifty and is better able to look after himself. Until this happens, we think it probable that the indigenous banker or trader will continue on the lines he follows at present

196. We consider that in a province so pre-eminentlly agricultural as Assam—and it is probably true of other provinces—the expansion of sound banking must begin from the bottom and not from the top. Only after there is a radical improvement in his mental and moral outlook, will the cultivator be in a position to offer better security and so render it possible for the Mahajan to grant him accommodation at a reasonable rate of interest. We have pointed out elsewhere that rural societies, soundly managed, can play a great part in bringing about a change in the outlook of the cultivator, and, of course, we must not forget that the spread of primary education is essential. The desideratum is a system by which the Mahajan will grant a loan or cash credit on reasonable terms to a cultivator whom he knows to be intelligent, hardworking, and thrifty just as the Scotch banker in the village accommodates his clients of the crofter or small farmer class. Then and not till then will it be time to talk of small indigenous paper or sound commercial bills which may be readily discounted and re-discounted, forming the basis of a real money market. The indigenous banker would then be a real link of the chain in the banking world; at present he is not and cannot be except to a very limited extent. It is true that at present his *hundis* if of an approved nature and properly endorsed can be discounted by the large joint stock banks like the Imperial Bank, but such *hundis* or bills, at least in the mofussil, are usually discounted among the indigenous banking community themselves. Where *hundis* are discounted by the joint stock banks it is done on the basis of the general credit position of the indigenous banker and not because there is anything to connect them with any particular produce in course of transit. Sound trade bills permitting of self-liquidation, are ideal investments for the sound banker. With the increase in the number of such bills and this depends on the business of the indigenous banker being conducted on sound lines with reliable clients—the indigenous banker would find little difficulty in getting the accommodation he requires from the big joint-stock banks and possibly even from local so-called joint-stock banks in Assam, registered under the Indian Companies Act. The ethics of sound banking and of sound trading would however have first to penetrate into the bazar. A possible development is for the indigenous bankers to have a bank of their own in which they would subscribe to the share capital, which would invite deposits and which would be registered under the Indian Companies Act. If loans were given for productive purposes and if there were extensive dealings in *hundis*, it might establish relations with some of the existing big Joint Stock Banks. We cannot say if such a bank is feasible in Assam. Babu Balchand Karnani of Jorhat states that he is one of the promoters of the newly-started Jorhat branch of the Assam-Bengal Industrial Bank whose head office is in Calcutta. The business of the bank would be to discount trade bills, accept deposits, and to lend money. This may possibly foreshadow the type of the bank we mean.

In the section, we have considered the question of linking up the indigenous banker with the general banking system from the point of view of dealing in agricultural produce. The state of affairs in large towns and commercial centres may present a different solution.

We think that we should point out that Marwaris may be divided into two classes—the big town Marwari who is usually a banker and the village Marwari or buyer of produce. We are of opinion that the former plays a very useful part in trade and commerce, that he generally carries on business on sound lines, that the rate of interest charged by him is not unreasonable and that his dealings with the public cannot be said to be harsh. The village Marwari also performs a useful function in enabling the cultivator to dispose of his produce. It is difficult to see how otherwise the villager in many places could sell his crops or obtain the goods he requires for his needs. At the same time, the cultivator can usually get cash accommodation from the village Marwari when he wants it. We consider, however, that the interest he has to pay is excessive though the degree of risk is a partial justification for the high rate. We are also of opinion that there is often a want of consideration, and sometimes harshness and unfairness, shown by the village Marwari towards his ignorant and often helpless client. The village Marwari is linked up with the town Marwari, at least in so far as the latter finances him and disposes of the produce he has collected. What we urge is that the town Marwari might take advantage of this connection to exercise some check over the vagaries of his smaller brother in the villages.

CHAPTER XIV.

Other indigenous credit agencies.

197 In this section we are concerned with the money-lender in the ordinary acceptance of the term and as distinguished from the indigenous banker by the fact that he does not (or only very rarely) accept deposits. We have dealt, in a general way, with the money-lender in Chapter III to which we would make a reference. In Chapter XIII we have discussed certain questions connected with the indigenous banker. We intend to cover the same ground briefly as regards the money-lender. We have no information as to when money lending first started in Assam. In most districts in the Brahmaputra Valley in the form of cash it was probably less than 100 years ago. In Sylhet it was probably at a much earlier date. It is interesting to note that up to the beginning of the nineteenth century the people in Sylhet paid their Government revenue in cowries, which were imported at intervals from Calcutta and other places. The revenue amounted to about two and a half lakhs, and in payment of this the Collector had to receive from the landholders nearly 1,300 millions of these small shells which were then sent to Dacca, the headquarters of the administration. Payment in this form, only a little over a hundred years ago, seems incredible. The only explanation forthcoming is that "the people were so poor and their rents so small, that a currency of extremely low value was required." By 1820, however most of the revenue was being paid in rupees. More professional money lenders are to be found in Sylhet than in any other district in Assam.

We have no information as to the number of those engaged in money lending business. In the tables of the 1921 census all we find is a column showing 4,722 persons supported by "bank, establishment of credit exchanges, and insurance" as against 6,408 ten years before. The Census Commissioner remarks "Among these a drop of 1,700 in the number dependent on banking and exchange and credit possibly indicates a welcome decrease of money-lenders and of the bogus insurance agents who were so busy a few years ago. Unfortunately we have no separate figures for these subdivisions of the group." The Income Tax Department can give no information that is of any value. The majority of those who lend money do not pay income-tax. In a province, where most people who have a little surplus cash do some lending business, either in cash or in paddy, from the Government servant in a well-paid post and the prosperous zemindar down to the time-expired garden cooly, it is impossible to give even an approximate idea of their numbers or of their working capital. The Census figures are useless, most of those who lend money would return themselves in the schedules under some other head. The town money-lenders form a very small proportion of the total number.

198. We have examined a few money-lenders and we propose to refer to their evidence to show their methods of business and the lines and terms on which they make advances. Babu Prabir Kumar Chakravarty, Pleader, of Sylhet, belongs to a family which has extensive money-lending business. About half a lakh is lent annually, 75 per cent of this is to agriculturists, as a rule on simple bonds or personal security though simple mortgage is also sometimes taken. The rate of interest varies according to the amount of the loan but not according to the period. For sums between Rs. 500 and Rs. 1,000, the rate is 24 per cent, between Rs. 100

and Rs 500, 24 to 36 per cent and for sums below Rs 100 the usual rate is 48 to 60 per cent. Towards the end of 1929, however, after the floods the rate for sums below Rs 100 was 75 per cent. Personal ledgers are kept for each debtor, which are open to inspection by the Income-Tax Officer and the debtor. There are also other *khatalas* in which realisations of interest, expenses, etc., are noted down but these are not open to inspection. Agriculturists usually take loans for the purchase of cattle and paying rent, but rarely for marriage expenses. Sums repaid are entered on the back of the documents. Capital is inadequate to meet the demand. The witness has no objection to the introduction of a measure to regulate his business and to give publicity to his accounts on condition that the law provides a more summary means of realisation. He estimates his net profit to be ten per cent after allowing for losses and expenses.

The evidence of Babu Surjya Kumar Dhar of Karimganj subdivision in Sylhet is interesting. He is Secretary of a rural Co-operative Society which has 3 money-lenders among its members. He is also a hereditary money-lender, in his father's time the capital was 3 lakhs. Two thirds of the loans are to agriculturists. The minimum interest in his father's time was 18 per cent and the maximum 37½. The rate varied with the demand and with the nature of the security. At present in normal years the rate varies from 24 to 60 per cent but after the floods in 1929 the rate ranged between 25 and 72 per cent. The witness gives 12 per cent as his net return. He does not find much difficulty in realisation. The capital is insufficient. He does not deposit money in banks partly because the interest is low and partly because by money-lending he occupies an important position in the village and has a hold on the people. He keeps a cash book, a loan ledger, and a register containing copies of the bonds. In his opinion, money-lenders would not favour publicity of accounts, partly for fear of payment of income-tax. He would be willing to deposit 10 per cent of his working capital at 12 per cent interest in a Central Co-operative Bank if he was made a Director. He thinks that if Government could stop *benami* transactions in execution proceedings and generally make realisations easier, money-lenders would not object to some measure of regulation of their business by Government.

Babu Raj Kishore Chakravarty of Hailakandi in Cachar had previous to retirement from active life been carrying on money-lending business for 30 or 35 years. His lending rates were a maximum of 60 per cent for sums under Rs 100 and 24 to 36 per cent up to Rs 1,000. Most of the loans were for under Rs 100. He used to lend the people who had no land and most of these loans were recovered. Some lands came into his possession as a result of suits against debtors. He adds "deducting various sorts of expenses involved in this business, my actual realisations were at the rate of 3 per cent per month. He says that the rate of interest is much less than it was 15 or 20 years ago, being now from 12 to 36 per cent. Realizations are, however, more difficult."

Another witness from Hailakandi, Babu Iswar Chandra Chakravarty, says that the rate of interest is much less than it was 30 years ago. For large loans to solvent borrowers the interest is 18 to 24 per cent. There are, however, two or three *Maiwans* who lend at a rate which sometimes goes up to 60 per cent.

Rai Sahib H. K. Chakravarty, land-owner of Hailakandi, says that the prevailing rate of interest is 36 to 60 per cent. He differs from the other Hailakandi witness when he puts the rate of interest 25 or 30 years ago at 18 to 24 per cent. Inherited debts are few. Many, especially the landless, pay off their debts by working for their creditors. He refers to three professional money-lenders, belonging to Sylhet and to Bengal, who lend only to persons who possess lands and for loans of Rs. 1,000 and upwards mortgage is taken up. "For smaller sums, bonds are generally without mortgage of lands. For sums below Rs. 1,000 the rate of interest varies from $3\frac{1}{2}$ to $6\frac{1}{2}$ per cent per month. There are instances in which money-lender got all the land of the debtors and turn them into beggars." In another place he says "some professional money-lenders realise interest, charged at $6\frac{1}{2}$ per cent per month, up to the last pie." He notes that compound interest is rare. Another witness says that in the Jaintia parganahs in Sylhet the minimum rate of interest is $37\frac{1}{2}$ per cent, for small sums borrowed, the interest is considerably higher. For petty loans no security is required. In cases of landed security the borrowers make over their land by a registered deed of sale when the loan is taken, on repayment, the deed is returned to the borrower. The Subdivisional Officer of Sunamganj states that the usual rate of interest is $37\frac{1}{2}$ per cent but 75 per cent for small sums without security. For large sums, gentlemen of position pay 12 per cent. Smaller sums would be given at 18 to 24 per cent. Babu Chandra Kumar Roy of Habiganj emphasises the extent to which agriculturists' land is passing into the hands of money-lenders. The Inspector of Co-operative Societies, Cachar, is of opinion that there are many money-lenders among agriculturists with an average capital of Rs. 500. Their rate of interest is $37\frac{1}{2}$ per cent, with or without security. Babu Banshi Badan Sarma of Cachar, Sub-Deputy Collector, believes that 50 per cent of loans are on personal security. Cases of compound interest are rare. The rates of professional money-lenders are from $37\frac{1}{2}$ to 75 per cent. Agriculturists lend money at 25 per cent. He does not think that much land is passing into the hands of money-lenders. Khan Sahib Rashid Ali Laskar says that in Cachar the rate of interest is from 24 to 60 per cent. Though town money-lenders charge a lower rate than their village compeers, they are more hard-hearted in realisation.

199 We pass now to the Assam Valley where professional money-lenders are much fewer. Sriji Anandaram Bhattacharyya of Nowgong carries on money-lending business in addition to his occupation as a stamp-vendor. He says "for very petty amounts below Rs. 100 the interest charged is 1 anna per rupee per month and for Rs. 100 and over, I charge 24 to $37\frac{1}{2}$ per cent. I lend to immigrants both Hindus and Muslims. When mortgage is taken, the interest charged is lower. My minimum rate is 18 per cent. The usual rate is $37\frac{1}{2}$ per cent. My net gain in interest after meeting all expenses is about 24 per cent. This is taking the average over a number of years, taking into account my losses." The general rate of money-lenders in Sibsagar, Lakhimpur and Darrang districts seems to be $37\frac{1}{2}$ per cent but there are rates below and above that figure. Ex tea garden coolies are said to charge high rates. It is interesting to note that in the Nowgong Central and also in the Co-operative Town Bank there are deposits from village money-lenders. Babu Mahendra Kumar Chakravarty of Dhubri has some money-lending business. His rate

of interest is 12 to 75 per cent. "Taking into account all losses, the interest I realise would be 15 to 18 per cent." Mr. D. C. Chakravarty who has an intimate knowledge of Goalpara states that he has learned from a reliable source that the average net return to a money-lender is 18 per cent. In his memorandum he expresses the opinion that private money lending is becoming less profitable and that the money lenders before long may not object to reasonable regulation if they are enabled to realise their dues more summarily. In Goalpara the well-to-do agriculturists are largely money-lenders charging rates of interest 12 to 100 per cent. Rai Bahadur Kailash Charan Sen of Gauhati thinks that the average net profit to the money-lenders is not less than 18 and probably 24 per cent per annum. This witness was asked if he was aware of a practice called "Mukhchani" where the lender deducts a certain percentage of the loan at the time of issue. He says that in Kamrup this is the practice of all money-lenders. He thinks that money-lenders should give their clients a copy of the bond. In return, realisation by the law courts for the lender should be made easier. As to the rate of interest of money-lenders in Barpeta subdivision of Kamrup district, Srijut Lahit Chandra Nayak states that the Assamese can generally borrow at 24 per cent but immigrants are charged from 75 to 150 per cent. He had experience of one case where the rate was 4 annas per month, i.e., 300 per cent. He points out that the immigrants hold many of their lands on annual lease and suggests that the high rate of interest is the lender's security. Rai Bahadur Mohendra Mohan Lohari, Government Member, Gauhati, says "In Kamrup district, I think the rate of interest is lower at present than it was 30 years ago. Here Rs. 2-8-0 is the general rate for small loans. Big loans can be had at 24 per cent or even 18 per cent per annum." He puts the net profit of the Marwari money-lenders at 12 per cent. Srijut Jagannath Bujar Barua who worked as Sub-Deputy Collector in the settlement of Kamrup district, states that the rate of interest charged by local money-lenders is 25 per cent. At one time it was 75 per cent. Barpeta *departs* lend through 'matabbars' or village headmen who make a profit of a few rupees per cent. This practice is growing.

200. We have thought it best to give extracts from the evidence to illustrate the variations in different districts. We might sum up by saying that the average rate charged by the village money lender or by a produce merchant is $37\frac{1}{2}$ per cent throughout the province. Where loans are large in amount and security is good, rates of 24 and even 18 per cent are common. The rate 12 per cent would only apply to a solvent landowner or in some case to a trader. Nominal rates of 75 per cent or even higher are frequently to be met with but we are inclined to think that as a general rule little attempt is made to enforce these rates. For small sums no security is generally taken but for amounts over Rs. 100 land has often to be mortgaged or in rarer cases, jewellery is pawned. We have no doubt that in the Surma Valley a considerable area of land does pass into the hands of the indigenous money-lenders and to a lesser extent in the Assam Valley. In beginning of Chapter XII we have given statistics of the area of land settled with Marwaris. In Chapter V, in dealing with the rates of interest for agricultural finance we have discussed paddy loans. We have in Chapter III referred to the *hali* and *namghari* funds as sources of borrowing. The evidence of witnesses from the Surma Valley clearly shows that after the floods of 1929, the money-lenders took advantage of

the plight of the agriculturists to raise the rate of interest. There is some economic justification for this owing to the increased demand for loans & owing to the impaired nature of the security. We have had evidence that some money lenders who are educated maintain more or less business like accounts. In the case of the petty money-lender, there is little except a few slips of paper and sometimes only oral agreements, *eg*, in the case of many agriculturists and time-expired coolies. Small loans are generally for a few months but are allowed to run on for years. The bulk of the clientele of the money lenders is the agricultural class. Town money-lenders do lend to traders and industrialists but not to any great extent. Their chief customers are towns people of the middle classes. In the Surma Valley, they lend to agriculturists especially in Cachar where landed security is considered very safe. We have noted that in the Assam Valley a few money-lenders have made deposits in Co-operative Banks. There is no evidence that the money-lenders have transactions with the big joint stock banks or with the Imperial Bank, though some zemindars who are money-lenders have accounts in the Calcutta Banks. The net return to the money-lender seems to be somewhere between 15 and 24 per cent. One grievance as in the case of indigenous bankers is the difficulty in realisation through the law court. We have got nothing to add to what we have already said on this matter when dealing with indigenous bankers and in Chapter XII with the "delay in the disposal of cases" and "legal obstacles against the realisation of just dues of money-lenders". We do not see how any concession in this direction can be granted to money-lenders, and even if this was done, we doubt if they would reduce their rate of interest or further the cause of co operation by making deposits in rural or central banks unless they were satisfied with a moderate rate of interest. For some the sound management of certain of these banks may prove an attraction and the knowledge that their money is safe may induce them to make deposits. We must rely largely on the local influence of non-officials to induce money-lenders to help the movement with finance for the common good and in this, Nowgong seems to have shown the example. In Chapter XII we expressed our opinion that a Money-lender's Act was not required in Assam. We are therefore opposed to any system of licensing of money-lenders, or any sort of Governmental supervision. We are not in favour of any measure to compel them to publish their accounts. We might add that there is evidence that many Muhammadans lend money or paddy and accept interest. It is true that such cases especially as regards lending in cash are not common, but we believe that ideas are changing and the likelihood is that money lending among the members of this community will increase. We would quote the words of a Mynensingh *bepari* in Nowgong district who is a money lender. He was asked how he reconciled the taking of interest with the tenets of his religion. "Yes, I lend money for interest. Am I not as good a Muhammadan as my brethren who lend paddy or who take a usufructuary mortgage or who lend for a return in cash but call it 'profits of business' instead of 'interest'. What is the difference?" We have enquired whether there is any prejudice against indigenous bankers and money-lenders. This seems to us to be a purely academic question. The cultivator who is in need of money counts the Mahajan his greatest friend when he grants him a loan, he forgets all about him till the time comes when he is pressed for payment, then he dislikes him but is tactful enough to plead for further time or if he can, he pays up, knowing

that by so doing he is more likely to get accommodation in future. In short, he regards him as a necessary evil that has to be propitiated. As we have already pointed out, the Co-operative movement in Assam has yet only touched the fringe of the agricultural population. Save perhaps for a few exceptional cases, it has had no appreciable effect in lowering the rate of interest charged by money lenders.

201 *Joint Stock Banks and Loan offices in Assam registered under the Indian Companies Act, VII of 193* — We think that it may be of interest to give a brief account of the working of Joint Stock Banks and Loan offices in Assam. In the course of our tour we examined the papers of about a dozen of these institutions and examined several witnesses who were connected with them as Directors or Managers. In Chapter III we have given an account of their numbers, distribution, and working capital. In the annual Report of the working of the Act for 1928-29 they are classified some as banks, others as loan offices. In the column which specifies the object of the institution, most of the banks are shown as transacting "money lending and banking business" and two as engaged in "banking business only". The object of the loan offices is stated to be "money lending business" except two which are shown as transacting "banking business". Obviously the classification is arbitrary, but this is only natural in the absence of a definition as to what constitutes a 'bank' or 'banking business'. We believe that all the institutions accept deposits and all lend money. All however, do not keep current accounts and only a few—and this only in the last two or three years—issue their own cheques which have usually only a limited local circulation. Another recent development of some of the banks or loan offices is the discounting of *hundies*, encashment of Calcutta cheques, and collection of trade bills and remittance of payment to Calcutta. This is a welcome development which we hope will grow. With one or two exceptions, the bank and loan offices are all located at district or subdivisional headquarters. Again, most of them do not lend to any extent to agriculturists. In these two respects they differ from the loan offices in Bengal. In that province there were 799 of these loan offices at the end of March 1929, with a working capital of over 10 crores. To quote from a note compiled by the Chairman of the Bengal Banking Enquiry Committee "they are joint stock companies, registered under the Indian Companies Act. With the exception of a very few in Calcutta and other big trading centres they do not discount bills or finance trade or industries but take current deposits and issue cheques. The share capital forms a very small portion of the working capital. The remainder of the working capital consists of deposits from the general public and undivided profits sometimes specifically shown as Reserve Fund but not always. Loans are given to agriculturists only in the majority of loan offices. The bulk of the loans are given on mortgage of lands, and the interest of these varies from 18½ per cent to 75 per cent per annum. The rate of dividend paid by these banks is necessarily large as the proportion of deposits to the share capital is large. One loan office paid a dividend of 125 per cent last year. In the others the rate varies from 10 to 50 per cent." In Assam, in the case of the older institutions the proportion of paid up capital to deposits is very small. In the Sylhet Loan Company established in 1881 the paid up capital, is Rs. 13,000 while the deposits exceed 5½ lakhs, in the Dhubri Loan Company, registered

in 1913, the paid up capital is Rs 33,805 as against deposits of almost 6 lakhs. One weak point of many of the concerns is the Reserve Fund. It is usually very small and is often used as working capital instead of being separately invested. Well-established banks like the Sylhet Loan Company, the Dhubri Loan Company, the Cachar Marine, Fire, Life Insurance and Banking Company and the Tezpur Industrial Bank, have, however, considerable funds invested in Government securities or in deposit with big Calcutta Banks. We have been struck in many cases with the absence of fluid resource for the payment of current deposits and of fixed deposits as they mature. It is pointed out that the term of deposits is generally extended and that new deposits are always coming in. This is probably correct, but if one bank fails and a panic ensues among depositors of other banks, the result will be disastrous unless a fair proportion of the bank's funds is in cash or in a form permitting of immediate realisation. In England, banks would usually help each other in a time of crisis by lending each other funds, it is in their interest to stand by each other. But in Assam where the banks are all working as self-contained and detached entities, this mutual support cannot be looked for. Then again there is in places competition between different banks for deposits by offering higher rates of interest. This may lead to difficulty in repayments in case of withdrawal unless there is adequate fluid resource. As a rule, in Assam deposits are accepted for periods varying from 3 months up to 3 years. The banks, however, usually require that, if the depositors wish to withdraw, they must give previous notice corresponding to the period of deposits. It is then possible to provide for withdrawal, by calling in loans or by inviting fresh deposits. Some banks accept current deposits and where this is done, we have usually found that there is a reasonable amount of cash in hand.

202 In chapter XI we have briefly summarised the borrowing and lending rates. Some further details may be added. Old established banks especially those which are soundly managed and in which the public have confidence, can obtain deposits at a reasonably low rate. The Sylhet Loan Company's rates are as follows —

3 years fixed deposit	7 per cent
1 year deposit	6 "
6 months deposits	4½ "
1 month deposit	3 "
Current Account	nil.

Most of the deposits in this bank are for one year.

The Cachar Marine Fire and Life Insurance Banking Company accepts no deposits for more than one year. It pays 6 per cent for one year deposits, 5 per cent for 6 months, 3 per cent for 3 months and 2½ per cent on current deposits.

In the Assam Valley, the rates of the Tezpur Industrial Bank are —

3 years	7½ per cent
2 years	7 "
1 year	6¾ "
6 months	6¼ "
Current	3 "

The rates of the Dhubri Loan office are —

2 years				7½ per cent.
1 year	...	...	..	6 „
6 months		...	...	5 „
Current			..	3½ „

On the other hand the Habiganj Loan and Trading Company established in 1900 pays 9 per cent for 3 years deposits. The Habiganj Union Bank registered in 1928, pays 9 per cent for 3 years, 8½ per cent for 2 years, 7½ per cent for 1 year, 6 per cent for 6 months and 3 per cent on current deposit.

We give the rates for two banks in the Assam Valley.

Gauhati Town Bank, registered in 1926

3 years, subject to 6 months notice of withdrawal	9 per cent
2 years „ „ „ „ „	8 „
1 year „ „ 3 months „ „	7½ „

For no fixed period but subject to 1 month notice of withdrawal 6 „

Nowgong Bank, registered in 1928.

4 years	...	...	...	12 per cent.
3 years	...		..	11 „
2 years	...	..	..	10 „
1 year		...	..	9 „
6 months	...	...	...	8 „
Current	...	...	..	3 „

The rates of this last bank are very high. It has been started only recently and the high rate of interest on loans—37½ per cent—may justify the high rate paid for deposits

It may be useful to give the lending rates for some of the banks —

	Minimum per cent	Maximum per cent
Sylhet Loan Company ...	9	24
Cachar Marine Fire and Life Insurance Banking Company.	12	24
Tezpur Industrial Bank	9	24
Dhubri Loan Office	9	30
Habiganj Trading Company ...	15	24
Gauhati Town Bank	12	24
Nowgong Bank	24	37½

The rates of interest on loans would appear to be substantially less than in the Bengal Loan offices. The recently established Habiganj Union Bank has 75 per cent of its loans out to agriculturists. The lending

rates of this bank are from 18 to 48 per cent. The dealings of the Nowgong Bank are mainly with Mymensingh immigrants at 37½ per cent which is the current rate of the Mahajan. The Dhubri Loan Company lends to agriculturists at from 24 to 30 per cent. Zeminders can get loans at 12 per cent. Other banks do not lend to agriculturists to any large extent. For such loans, a mortgage of land is usually taken as the only security. Some banks, however, (e.g., Tezpur Industrial Bank) have found this unsatisfactory and now insist on personal security, with the mortgage of land as a collateral security.

Similarly the Cachar Marine, Fire and Life Insurance Banking Company only grants loans to agriculturists if they offer a substantial town-dweller as security. We may remark that a sound commercial bank would only take landed property as a collateral security and we are glad to observe that some banks in Assam have realised the difficulties caused by taking land mortgages as the sole security.

We find that most of the loans are granted to clients who live in or near the towns or to land owners who offer substantial security or who take large loans. The number of loans given to traders is comparatively small, and frequently no such loans are granted unless the traders have deposits in the bank in which case they can get loans against (say) 75 per cent of their deposits at 9 per cent. The Cachar Marine Banking Company grants short-term loans for not more than 8 to 10 months to traders at 14 annas to 1 rupee per cent per month. Generally speaking, where land is not given as security, loans are granted on personal security, on the security of moveables such as ornaments, on houses in town, and often for small sums without any security at all but only on handnotes.

203. As a rule, the loans are not for any fixed period or are for a nominal period of a few months. As with the money-lender, the practice is to let them run on for years, often without any formal extension. It is, we think, this practice which gives most, if not all, these banks and loan offices, the character more of money-lending institutions than of banks. In most cases the overdues are heavy, and little attempt is made to enforce punctuality of payment. In the interests of sound banking, the Managing Directors of these institutions would be well advised to adopt a change of policy in this respect and to insist on more regular payments. In a previous chapter, we have noted that some of the banks have got large funds locked up in the block accounts of tea gardens sometimes with no payment even of interest. The Directors admit that this has been a mistake and realise that the result has been a contraction of business and a diminution in profits. Compound interest in case of default, is charged by most of the banks. In the Sylhet Loan Company the proportion of owned capital (paid-up capital *plus* reserve fund) to the working capital is 8 per cent in the Dhubri Loan Office 9 per cent and in the Tezpur Industrial Bank 22 per cent. In the banks we inspected, the proportion of paid-up capital to the authorised capital varies from 64 per cent to 65 per cent. In one or two banks savings bank deposits are kept. One Director of a recently started bank asked that the Post Office might be authorised to receive up to Rs. 5,000 in current deposits for fluid resource as the bank had no safe place of custody. Other banks have not raised the question, and we make no recommendation on this point.

We are unable to say how far the audit of the banks is properly conducted. From 1924 to 1928, the Dhubri Loan Company declared dividends ranging from 20 per cent to 50 per cent, the last dividend for the Sylhet Loan Company was 30 per cent in the last 3 years the Cachar Marine Banking Company declared a dividend of $7\frac{1}{2}$ per cent while the Tezpur Industrial Bank has paid annually 10 per cent during the last ten years. The Directors of the Banks are chiefly pleaders and other professional men. None of them have had any previous banking experience and the same applies to the staff. We are of opinion that these banks fulfil a useful purpose and every credit is due to the non officials who are responsible for their management.

204 We hope that the criticisms we have made regarding the Reserve fund, fluid resource, lending on landed mortgage as the only security, and the necessity for enforcing punctuality of payment may prove helpful. Dividends we may note, are usually declared by the banks on accrued profits and not on actual realisations. This is, we think, in accordance with banking practice. There is probably no objection to interest which has been earned but is not yet due for payment (for example, where the balance sheet is made up before payment of interest was actually due) being reckoned as profits, provided it is fully secured. But we do not think that interest which is overdue and especially if it has been overdue for a considerable time should be taken into account in calculating profits. We would ask the Directors of the banks to consider this point. We admit that exclusion of such interest may mean a reduction in dividends, but it is better for the shareholders to know the true position of affairs, rather than labour under a delusion. It is advisable to have a bad debt fund. Though there is glimmering hope that some portion of the bad debts may be recovered, yet "looked upon as assets, they are as devoid of substance as the ghosts in Tartarus." (Rae in the "Country Banker").

PART VI.

MISCELLANEOUS.

CHAPTER XV.

205 *Banking Law Definition of Bank* — We hesitate to express any opinion on points of banking law or practice because we have little evidence on which to come to any conclusion and because we ourselves have very little first-hand knowledge of the subject. There is in India no separate code of banking law though there are certain provisions in at least two enactments which are specially applicable to banking. Generally speaking, the operations of a banker are governed by the same general principles as any other business. The law of contracts makes no distinction between a banker and a non-banker. So far as we know, the Bankers' Book Evidence Act of 1891, whereby the banker has the special privilege of producing in court only certified copies of his accounts, is the only enactment which deals specifically with bankers. In the Negotiable Instruments Act of 1881 and the Indian Companies Act of 1913, certain sections are applicable to bankers alone. But neither of those Acts defines what is meant by a 'banker' or 'banking'. Section 3 of the Negotiable Instruments Act simply states that a 'banker' includes also persons or a corporation or company acting as bankers. Section 4 of the Indian Companies Act lays down that "no company, association or partnership consisting of more than ten persons shall be formed for the purpose of carrying on the *business of banking* unless it is registered as a company under this Act or is formed in pursuance of an Act of Parliament or some other Act of the Governor-General-in-Council, or of Royal Charter or Letters Patent". Definitions of 'bank', 'banker' or 'banking' in English statutes are equally vague. In an Act of Congress, the United States of America gave the following definition —

"By 'banking' we mean the business of dealing in credits and by a 'bank' we include every person, firm or company having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid, or remitted upon draft, cheque or order, or where money is advanced or loaned on stocks, bonds, bullion, bills or exchange, or promissory notes, or where stocks, bonds, bullion, bills of exchange or promissory notes are received for discount or sale"

English writers on banking as also English Judges have from time to time attempted to define banking, for example, "a banker is one who, in the ordinary course of business, honours cheques drawn upon him by persons from and for whom he receives money on current account". No doubt this is the very essence of English banking but the definition is incomplete. No bank could make a profit by confining itself to this. To most English banks, lending is the chief source of profit, and this usually implies the existence of fixed deposits as part of the working capital. To this we may add the discounting of bills, the remittance of funds by bank drafts to other places, the buying and selling of securities and many other functions which a banker performs for his customers. These are all comparatively modern lines of development and are an expansion of the primary duty of the London goldsmiths' shops in the seventeenth century of receiving customers' cash or gold at a rate of moderate interest and

relending it at a higher rate. It is obvious, therefore, that a simple definition of a 'bank' which might have been applicable in the seventeenth century or later, would not hold good now. The functions of a banker undergo a change and development as time goes on. The somewhat elaborate definition of 'banking' in the Act of Congress of the United States may require modification at some subsequent date. Then again, a definition of a 'bank' which, at any given time, may hold good for a particular country might not fit in if applied elsewhere. For example, much stress is laid on the cheque as being an essential part of modern English banking, but on the Continent more importance would probably be attached to the discounting of bills and the granting of monetary credits; there the use of cheque is little developed. Let us now take India. We have Co-operative Banks. It is the exception for them to take current deposits or to issue cheques, yet they are called banks in popular parlance and we presume that there is no intention to disturb this nomenclature. A Loan Company though it receives current deposits and issues cheques is known as the Loan Office and not as the Bank. In Assam there are several joint-stock companies, purporting to do banking business which like the co-operative banks do not keep current accounts and do not issue cheques. At the same time, loan offices which collect bills, and remit the proceeds to Calcutta by cheque or which discount bills and *hundis*, are still called loan offices by the general public. We think that a clear definition of the term 'banking' is more or less impossible and to lay down a definition that is indefinite or open to ambiguity is undesirable. Whether it should be made illegal for persons or firms to make use of the term 'bank' or 'banking', except under certain conditions, is a different question. In England, money-lenders are required to be registered and if they represent to the public that they are bankers, they are liable to be punished. On the other hand, it appears that any one who pays the necessary fees in England can take out a 'banker's license' without giving particulars of the business to be transacted. In India it might be possible to restrict the use of the term 'Bank' to an institution which satisfied certain conditions *viz*—that there should be a minimum amount of subscribed capital of which a certain percentage should be paid up within a certain time, that until an adequate reserve was built up, dividends should be restricted, and that the firm should not take up any business such as trading. We refrain, however from making any recommendation in this respect. This is a matter which must be determined largely by the views of the banking and commercial world. We consider that any discussion on the definition of the terms 'bank' or 'banking' must, in the nature of things, be mainly of academic interest. What we do think is of primary practical importance is that any concern which professes to carry on the business of banking or, for the matter of that, of money-lending should carry on its operations on sound lines which will make for stability and confidence. That and not the name is the first essential.

206 *Amendment of law relating to banking practice*—We think that our inspection of some of the joint stock banks in Assam justifies us in making a few suggestions for the amendment or the amplification of the sections in the Indian Companies Act which deal specifically with banking. What we have primarily in mind is the interest of the depositors. They do not occupy the advantageous position of shareholders who can attend

meetings or who have probably other means of ascertaining the inner working of the banks and loan offices. At the same time we recognise that our enquiries in the smallest province in India are of a limited range and that, on the question of any proposed amendment of an Act which applies to the whole of India, the recommendations of other Banking Enquiry Committees must have greater weight.

We think some check should be placed on the declaration of dividends until an adequate reserve has been built up. We are fully aware that it is the duty of the Directors to recommend the rate of dividend which shareholders are asked to sanction. We believe, however, that in the long run, it will be in the interests of sound banking that there should be some outside control especially in the case of recently started companies where there is a danger of declaring too high dividends at an early stage so as to popularise the bank.

It should be made illegal to make advances against the bank's own shares.

It is desirable that a certain ratio of the bank's resources should be kept in a liquid form to meet the claims of depositors from time to time. We recognise, however, that it is difficult to fix any definite percentage. Connected with this is the fixing of the proportion which the paid-up capital and reserve should bear the bank's deposits or liabilities, which, we think, in sound banking, should be at least ten per cent. Instead, however, of prescribing the ratio by legislation, it might suffice if the statement published half-yearly in Form G, under section 136 of the Indian Companies Act, showed (1) the Reserve Fund of the bank and the form in which it is kept, (2) amount available in liquid form to meet the claims of depositors, (3) the proportion which the owned capital bears to the total liabilities, and (4) the amount of total deposits both fixed and current and the ratio of fluid resources to each kind of deposit. It would be preferable indeed to submit to the Registrar a weekly return showing the percentage of cash to deposits and this could be published for general information. It would be the business of the auditor at the time of audit to verify the correctness of these returns.

It is also desirable that the depositors as well as the shareholder should receive a copy of the annual accounts. He is often more interested in the sound management of the bank than a share holder who may have very little at stake.

We would prefer that the joint-stock banks should be audited by a Government auditor who would be in a greater position of independence than an auditor who depended for his re-appointment on the good-will of the shareholders or the Managing Directors. But we doubt if this is feasible owing to the very limited staff of Government auditors. In fairness, we must also make it clear that we have had no suggestion made to us in the course of our enquiry that the work of the present auditors is unsatisfactory.

207 *Vernacular script in banking apart from cheques.*—We have no recommendation to make and have nothing to add to our remarks in Chapter XIII in the section dealing with the 'System of account keeping' of indigenous bankers. It is needless to add that Marwari hundis, as well as banking accounts, are always in the vernacular.

208. *Cattle in Assam.*—The evidence we have recorded, our own observations in the course of our tour and our visit to the Khanapara Cattle Farm near Gauhati lead us to offer a few remarks on this subject which is of primary importance from the cultivator's point of view. We only deal with the ordinary village cattle and not with the stronger and better nourished animals which are to be found mainly in the hands of up-country people for drawing carts and occasionally of Mymensingh settlers. The average plough-bullock is a wretched ill-nourished creature. How far the breed has deteriorated we are not in a position to say. It would be only natural to expect however, that the progeny of animals to be found at present must be gradually deteriorating. The first reason generally assigned for this state of affairs is insufficiency of grazing. In permanently-settled areas of Sylhet and Goalpara where there is a constant demand for land for cultivation, owing to the increased pressure on the soil because of the growth of population, the grazing areas, can hardly be expected to be numerous or large, and in some parts of the district *e.g.*, Sunamganj where the whole country is under water for six months in the year, grazing lands for the greater part of the year are impossible. At this season the cattle have to be stall-fed with straw collected in April and May and stored in the homestead. This is often supplemented by the water-hyacinth which grows rampant everywhere or by grass collected in boats from the *haors*. Fortunately however there are considerable areas all over the district where the cultivators have been in the habit of grazing their cattle for generation and have a prescriptive right of user for this purpose. Certain Government lands where available have also been set apart for grazing. In temporarily-settled tracts in both valleys Government have constituted grazing reserves, as far as possible to suit the convenience of the villagers. We admit that some of these lands are not suitable for grazing, because they are covered with scrub jungle, are comparatively inaccessible, or under water for part of the year. It may be possible to improve some of the jungly areas by leasing them out for two or three years until they are cleared and made fit for cultivation. In thickly populated areas where pressure on the soil is highest, grazing facilities are often lacking.

209 We doubt however if want of grazing is the main reason for the poor condition of the cattle. We believe that in some other provinces where cattle are well-nourished, grazing is less plentiful. Probably the damp nature of the climate of Assam is not favourable to the rearing of a strong, healthy breed of cattle. But perhaps more important than want of grazing facilities as a cause of deterioration of Assamese cattle is bad breeding and gross neglect, and for this a remedy is possible. We think that the cultivator if he took the trouble could do much by his own efforts to improve the condition of his cattle. There are, in places, far too many cattle—more than what are really required for cultivation purposes. If he had fewer animals, there would be more grazing available for them and their condition would probably improve. But this is not all. Every year much of the rice straw is left uncut in the field. We admit that it has a certain value as manure if burned *in situ* but we are inclined to think that it would be more profitable for the cultivator to cut the straw or some portion of it, bring it home, store it, and in this way supplement the deficiency of green grass food available. We fear however, that this may be considered too much trouble. In Lakhimpur district considerable quantities of straw are sold by the cultivators to towns-people for stall-feeding.

At Khanapara Farm we were shown how grass for cattle fodder could be grown and two or three crops harvested in a year. We suggest that the Agriculture Department might, if it has not already done so, experiment in a few areas in the districts and explain to the villagers the advantages of growing a fodder crop. There does not appear to be any reason why such crops should not be successfully grown in many places but it will involve some labour and the setting apart of some land for the crop. On the Khanapara farm there is a herd of Assamese cattle under observation, and experiments will be made to improve the breed by selected up country bulls. This, of course, requires time. It is encouraging to find that there is a demand among those who take an interest in cattle-breeding, for selected bulls from the farm. There is no doubt that the presence of many weakly inefficient bulls in the villages is largely responsible for the poor specimens of cattle that are to be seen. Widespread castration is necessary but the people will have to be educated to appreciate the utility of this measure. Meantime Government has sanctioned a proposal for the payment of an annual premium up to Rs 150 towards the upkeep of bulls kept by private persons for breeding purposes. The poor milk-giving properties of cows in Assam are notorious. The average daily yield is somewhere, between a quarter and a half seer. For any improvement we must look to better feeding and better breeding.

210. Much has been heard about the mortality among cattle both in general and in local epidemics. We have recommended that loans should be given more freely under the Agriculturists' Loan Act for the purchase of cattle to replace those that die in such epidemics. The problem of dealing with any outbreak is extremely difficult. Owing to the way in which the cattle are sent together in large herds in charge of cowherds and in the Assam Valley after the paddy is cut they are let loose practically without any one in charge—any epidemic disease is bound to spread rapidly. We can suggest no practical solution for this. If in the Assam Valley, especially, the cultivator could be induced to grow cold weather crops, he would then have to protect his fields and could not let loose the cattle as he does at present and this might possibly check the spread of disease. We are convinced that there is often great delay in giving prompt information of any outbreak to the Local Boards to which the Veterinary Assistants are attached. The remedy for this must lie with the villagers themselves though any official touring officer or non-official would render a public service by himself sending an immediate report. But even when the outbreak does come to the notice of the Local Board, there is usually only one Veterinary Assistant available and it takes some time before additional assistance can be procured from other places. The finances of Local Boards are limited and although we would urge on them to increase so far as they can, the staff of veterinary assistants, we apprehend that the number will still be insufficient to tackle an outbreak of any magnitude. It is for this reason that we enquire whether it would not be possible to train up intelligent villagers to do inoculation work. Maintenance stipends while they are undergoing training might have to be given. Perhaps however, the suggestion is not feasible. There may be difficulties about diagnosis, the technique of injection, and the supply of lymph. Nor do we know how far villagers could be taught to perform castrations. But whatever assistance Government may render to improve the breed of cattle and to check the outbreak of disease, we cannot too strongly stress the fact, as we did

when considering agricultural improvements, that unless the villager plays his part in giving practical support to such measures, little is to be hoped for. We must also rely largely on the assistance of non-officials, including those who take an active part in promoting the co-operative movement, for making the cultivator see the error of his ways and urging on him the necessity of according his support to any steps taken for improvement. On cattle-insurance we examined one witness, the Gauhati representative of the Mysore Agricultural and Dairy Farming Company. Apparently since January 1928 up to date some 1,300 animals, mainly cattle, have been insured in the province. It is too early yet, of course, to say how far any such insurance scheme may benefit the policy holder, nor are we prepared to make any comments on the *modus operandi*. The Company is working under difficulties in that there are no reliable statistics of cattle mortality in Assam. We do think, however, that the witness is wide of the mark when he states that the average life of an Assamese cow or bullock is 15 or 16 years. A lesser estimate would doubtless necessitate some alteration in the terms of the policy with probably an enhanced premium.

211 *Economic conditions in the Hill Districts*—We have already stated that we were unable to enquire into the economic conditions in the Hill Districts. The officers in charge of those districts have, however, kindly supplied memoranda which we reproduce

MANIPUR

(Note by Mr. U. K. Chakrabarti, Land Revenue Officer)

The agriculturist obtains money for agricultural finance mostly by selling his own paddy, extra cattle and ponies or other belongings as also from what the members of his family get by petty trade and weaving. Sometimes he borrows money either on or without interest.

As practically there are no tenures in Manipur big blocks or areas are not held in Zemindari or Talukdars' rights by one man. Tenants mostly hold what they can cultivate themselves or with the help of their family members. The tenants therefore combine for any improvement—which is generally the digging or repairing an irrigation channel or making a bund to keep away river or fishery water from entering the cultivated area—and subscribe the amount required according to the area held by each.

Loans are taken either—

- (1) in cash, or
- (2) in kind, or
- (3) in cash to be repaid in kind.

In (1), *i.e.*, in the case of loans taken and repaid in cash the rate of interest varies from annas 12 per cent per month to Rs. 3 per cent per month usually. This rate sometimes goes up to even Rs. 10 per cent per month according to the demands of the borrower. But such cases are not many.

Interest is charged at a low rate when the indigenous friendly societies give out money to its members. These friendly societies known as *Maipups* (literally friends) exist in almost every Manipuri village. In starting a *Maipup* every member has to subscribe according to his own means and the money of the society gradually swells up by the accumulation of interest. These societies are started with the primary object of helping their members in celebrating the *siadh* ceremonies of near relations and this help is given either in cash or in any of the things required for the *siadh* ceremony such as fried rice, milk, molasses, betel nuts, and *Ahudars* (pieces of small cloth required in the ceremony).

The time for which these *Marups* lend out money is usually three months and the rate of interest charged by them is from Re 1-4 to Rs 2-8 per cent per month when the transaction is with its members. No registered deed is written and no security is kept then. But when an outsider takes the money a registered deed has to be written, and security has to be given—cultivated land or homestead land with or without the houses standing on it, interest charged is at Rs 3 per cent per month and the time allowed for repayment of the money with interest is three years. The capital of these *Marups* is not very big and their activity—helping in *sradh* ceremony—is confined mostly within their own members.

Excepting these *Marups* there are no societies which lend out money on interest. There are private individuals and business men who do money-lending business. They charge interest usually from annas 12 to Rs 3 per cent per month, registered deeds are drawn up, security is kept—cultivated land or homestead land with or without the houses standing on them and time allowed for the repayment of money with interest is three years. Sometimes bullock carts and motor lorries are kept as security.

In (2) paddy is taken and repaid in paddy. Amount borrowed is not very big. Interest charged is 50 per cent annually—repayable after the harvest of the year, i.e., in January. Registered deeds are not generally written and security is not generally given, time allowed for repayment is about one year.

In (3) cash money is taken and repaid in paddy. Usually two *Seng-bais* (sixty seers) of paddy for a rupee borrowed is repaid after the harvest, i.e., in January. Time allowed for repayment is about one year. Registered deeds are not generally written and security is not generally given. Local paddy dealers generally give out money in this way.

Manipur is traversed almost through and through by pretty good *lacha* roads and is joined with the nearest Railway Station—Manipur Road Station—by 134 miles of metalled road on which motor lorries ply.

The chief export of Manipur is rice. It comes from all sides of the valley in bullock carts and is taken down in hand carts and bullock carts or in motor lorries in one day to Manipur Road Station whence it is sent out in railway trains to the plains for sale. Hand carts and bullock carts and motor lorries have added greatly to the facilities of export and better facilities from an area surrounded by high ranges of hills cannot be expected.

There are no possibilities of forming pools and co-operative organisation here at present as experience has shown that such attempts were not successful in big schemes, e.g., failure of Sadar Bazar Motor Company.

During the process of marketing rice, money is obtained by the merchants either—

- (1) by borrowing on interest from money-lenders, or
- (2) by selling their other goods at a loss or at a small profit and making up for that loss by the sale of rice at a big profit.

Merchants to a certain extent control the price of rice for when the export of rice is allowed the price of rice goes up more or less. But with the introduction of motor lorries in the Manipur-Dimapur Cart Road the price of rice cannot rise very high because the amount allowed to be exported goes out quickly and price comes down with the stoppage of export.

Demand for money at the time when export is allowed makes the money lender realise a bigger interest with the result that borrower merchant has to dispose of his rice quickly, without waiting for a suitable opportunity or a suitable place where his rice may fetch a higher price. Selling other goods too at a loss or at a small profit in order to get money for purchasing rice hampers the interest of trade in general inasmuch as it makes the price of goods fluctuate much.

Co-operative societies could not be made successful but would have improved the position as the rate of interest charged would have been less in them. Crop growing land may be divided into three classes —

- (1) High area growing pulse, mustard, wheat, sugarcane, vegetable, etc.—price per acre varies from Rs. 10 to Rs. 80
- (2) Cultivated area—high—growing the main paddy of Manipur—price per acre varies from Rs. 20 to Rs. 200
- (3) Cultivated area—low—growing the long stemmed paddy of Manipur—prices per acre varies from Rs. 8 to Rs. 50

The factors that effect the value of land are (1) density of population (2) facility of irrigation, also (3) liability to flood

The value of land given above is obtained when land is sold by private negotiation. When land is sold by State auction—either for non-payment of revenue or in execution of court decrees—the value goes down a little sometimes in areas where pressure of population is less and facility of communication is bad. But with the increase in population and the consequent demand for cultivated land, which demand has become all the more intense because of the want of new unopened land fit for cultivation, the value of the land remains almost the same whether it is sold by private negotiation or by State auction.

In order to safeguard the interest of the local people it has been ruled by the State that no land and agricultural holdings can be mortgaged by the people to the foreigners.

There are no mortgage or agricultural banks here for the provision of long term credit.

In Manipur industries like rice milling, gurd making, producing vegetables, gardening, cotton ginning, hand spinning, etc., exist. Rice milling, cotton ginning, hand spinning, etc., are done generally by the females. Gurd making and producing vegetables are done generally by males at times when they are not busy with their paddy fields. Silk industry still exists but it is gradually dying out.

Pauni cloth for Marwaris is made here. It has a good sale and is much in demand by the Marwaris even from distant parts. Hand spinning can be improved by the introduction of better and improved wheels and training in weaving schools and weaving centres. In other things too, improved and cheap hand machines may produce better results if sufficient training is given to the people. Weaving, mat making, cane work, etc., are done by the people here. Weaving is done by the females and mat-making and cane work by the males. Very fine specimens of these things are turned out. The Manipuris have been very successful in these things and the cloth made with imitation silk, bedspread *lanthas*, etc., has got a big sale. No Manipuri woman sits idle and hence she is so successful in her work.

Statement showing four villages in Manipal State the purposes for which the agricultural classes generally borrow money.

		Money borrowed for																	Population of the village				
		Seeds		Marriage <i>sradh</i> ceremony, etc		Famine and other kind of distress		Payment of land revenue		Purchase of land		Construc- tion of houses		Education		Purchase of cattle		Pay-ment of pre- vious loan		Purchase of fisheries		Remarks	
Serial No	Male	Female																					
			Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage	By mortgage	Without mortgage
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	151	171				Rs 100 by 2 men	Rs 392 by 11 men		Rs 41 by 4 men		Rs 50 by 1 man			Rs 20 by 1 man			Rs 30 by 1 man						
2	444	419	Rs 51 by 4 men			Rs 80 by 2 men	Rs 30 by 1 man	Rs 227 by 6 men	Rs 41 by 3 men	Rs 107 by 3 men		Rs 50 by 1 man								Rs 90 by 1 man		Rs 1,160 by 6 men	
3	88	92			Rs 5 by 1 man	Rs 14 by 1 man	Rs 47 by 1 man	Rs 55 by 1 man	Rs 10 by 1 man										Rs 505 by 5 men				
4	242	210	Rs 95 by 6 men		Rs 436 by 6 men	Rs 570 by 2 men		Rs 110 by 3 men	Rs 45 by 4 men		Rs 50 by 1 man				Rs 250 by 1 man	Rs 100 by 1 man	Rs 140 by 1 man						

Remarks by Political Agent, Manipur

The land Revenue Officer's note applied only to the Manipuri population, living in the Manipur Valley (which is not unlike parts of Cachar) and not to the hill tribes, inhabiting the surrounding hills. The latter scarcely fall within the scope of the questionnaire. There is no sale of land among them, except to a limited extent among the tribes in the north and east, who cultivate terraced fields. There is very little cash borrowing. There is very little trade, except in surplus agricultural produce, such as cotton and chilis, and in simple articles manufactured from wood, such as boats, paddles, flails, shallow wooden troughs, etc., These articles are carried to the nearest market, in the Manipur, Surma or Kabaw valleys.

The hillman is not in debt to the foreign merchant and banker (Marwari or Bengali), as the latter are not allowed to lend money or give credit to the hill tribes. Whenever they do they invariably cheat them.

... ..
The population of Manipur is not generally in debt to any considerable extent. The highest rate of interest permitted, both in the Agency and State Courts, is 3 per cent per month and interest is not permitted to accumulate to more than the amount of the principal.

N GA HILLS.

(Note by Deputy Commissioner)

212 (1) Agriculturists obtain money by methods which vary with each tribe.

- (a) The Konyaks sell very large number of bamboo mats.
- (b) The Aos work in tea gardens in the plains.
- (c) The Lhotas sell large quantities of cotton and a small quantity of lac at Mirapuri and in the Golaghat subdivision. They also have practically a monopoly of the cattle trade.
- (d) The Semas are starting to go down to the plains to work in tea gardens.
- (e) The Angamis work on the Dimapur-Manipur Cart Road, and also break metal in the Jorhat district. They are far more wealthy than other tribes owing to the number of irrigated terraces they possess, and the Eastern Angamis as a rule depend only on sale of their surplus rice for their cash requirements.

There is little indebtedness amongst the Lhotas, Aos and majority of the Angami tribe.

What indebtedness exists is mainly in grain for short periods.

Amongst the Semas loans of grain are generally given out on condition that double the amount is repaid after the harvest. The lender frequently accepts a smaller amount than this, and the rate of interest is always reduced if the matter is brought to Court. The economic condition of the Semas as a tribe is bad owing to shortage of land. Generally speaking the only security given is the standing crop.

Terraced cultivation is being gradually introduced, Government finding half the capital required for the work. Funds however never suffice for the number of applications.

Apart from the Semas the only other village in which indebtedness is prevalent is in Khonoma, an Angami village in which shortage of land has compelled the surplus population to adopt trading as a means of livelihood. These trading ventures are very risky, and generally 50 per cent interest is charged. The result has been that the land in the village is tending to become the property of a few wealthy men.

Professional money lenders are not allowed in the district and the sale of land to persons not natives of the district is forbidden.

2 Rice is marketed in Kohima and Mokokehung. Cotton is sold mainly at Merapani in Golaghat subdivision, but also in Wokha and Kohima. A small quantity is sold in the Mokokehung Sunday *hat*.

It would be possible to form a pool for the sale of Lhota cotton at Merapani. It is proposed to sell the Lhota lac crop co-operatively next year.

3 Main classes of land are as follows (1) Irrigated terraces (2) Jhum lands (3) Fuel reserves (4) Thatch *bans*. (1) Terraces vary in price. In rich villages like Khonoma, Kohima and Viswema the price is often over Rs. 800 an acre. Land of this description is sold according to the yield and not by area. The price is regulated by the demand for land and by the wealth of the village, villages near the cart road being as a rule far better off as regards cash than those remote from headquarters.

In the Lhota tribe Jhum land is plentiful and the price is rarely above Rs. 20 an acre, and is generally less than this. In the Ao tribe prices are slightly higher. There is little cash in the Sema tribe and in spite of shortage of land prices are low.

In Angami village good Jhum land near the village is often sold for very high prices.

Fuel reserves are valued mainly in Angami villages where they are situated near the village and are most carefully preserved, all trees being pollarded.

In other tribes they have little value.

Thatch *bans* are of value in the Angami tribe. Prices of this class of land are much lower in other tribes.

4 Land cannot be mortgaged or sold to persons of non-Naga race. There is no record of rights as house tax only is realised. Boundary disputes considering the absence of records are very few indeed, and the boundaries of terraces are seldom if ever in dispute. There are far more cases regarding irrigation rights, and it is quite impossible to record them.

5 There is little indebtedness except as stated in (1) above. The Semas incur debts in addition to those needed for subsistence by having to pay marriage prices for their wives.

The relatives of the Sema Chief and those calling him "father" are fully described in Dr. Hutton's book on the "Sema Nagas".

6. Subsidiary Industries are —

Weaving — in all tribes except Semas. Pottery — made by a few villages in each tribe. Salt manufacture — Naga salt is highly valued as a tonic. There are only a few salt wells mainly in the Eastern part of the Sadr subdivision.

Mats—Made by Konyaks for sale in the plains and by other tribe for home use, and occasional barter

Lac—is grown by Lhotas.

Ginger and *kochu* (taro)—are sold by Lhotas in the plains The high villages near Kohima grow potatoes

Generally speaking the Naga is not idle during the cold weather, Aos and Semas go down to tea gardens, Lhotas carry down their cotton, Konyaks sell mats weekly at the Santok *hāt* The Eastern Angamis probably do less work than the others Their standard of living is high owing to their excellent terraces and they have no necessity to do any work other than cultivation to live very comfortably.

No banks are needed

The usurious Loans Act is not needed Anything needed can be done by Executive Order.

General

The economic condition of tribes other than the Semas can be considered as good. There is little cash in most villages, but there is no shortage of food, drink, clothing, housing materials and general necessities. This general comfort is won by hard work, and probably the Nagas as a whole work harder than any other class in Assam

Cash is needed to buy salt, and cattle from the plains and to pay Government revenue. Lately a higher standard of living has resulted in a demand for blankets, hurricane lamps, and umbrellas.

Full details of the economic condition of the various tribes will be found in—

The Angami Nagas by Dr. Hutton

The Sema Nagas by ditto

The Lhota Nagas by Mr. Mills.

LUSHAI HILLS

(Note by the Superintendent.)

213 (1) Money plays little or no part in the internal economy of this district. Practically no produce is grown for export. Each household grows its own food, and lives on the produce of one harvest till another harvest comes round. This cycle is only occasionally interrupted by periods of scarcity. Thus no finance is required for expenses during cultivation or for capital and permanent improvements. In periods of scarcity, application is made to a limited extent for Government loans, but the people are loth to borrow, and prefer to subsist on wild yams, wild sago, etc., as far as they possibly can. The only tax they pay is a house tax of Rs. 2 a year. This amount can easily be earned by one person for four days' coolie work during the years. It is not the practice for agriculturists in this district to borrow money by way of advances, and they are not generally speaking in debt. There are no banks or other credit organisation

(2) There is practically no export trade in this district. The only means of marketing produce is *via* Sairang, which is connected with Aijal by a cart road 14 miles long, and the Tlong river. Cotton and oranges are

bought and exported in small quantities by foreign traders. Aijal is connected with important centres in the district by bridle paths but there are no other roads. Except between Aijal and Sairang, the only means of transport is by coolie or pack animals. This method of transport is too expensive and difficult, and the distances to be covered are too great, to permit of marketing produce on an extensive scale.

Small quantities of rice are brought into headquarters for sale in the local market.

(3) There is no private property in land, nor is there any tenure of any kind, land is the exclusive property of Government and is distributed amongst hereditary chiefs for the purpose of cultivation by *phumung*.

(4) It is not possible to reach an estimate of existing indebtedness. Debt is incurred only for the purposes of marriage and other customs, and is then incurred not by way of borrowing, but as an obligation to pay sometime in the future. Generally speaking there is no indebtedness as such.

5. There are no small industries. There is hand weaving and spinning, basket making and the like in every house, but the products are for home consumption.

II There are no banks in this district.

III The Post Office Savings Bank and the sale of Postal Cash Certificates afford all the facilities that are required.

GARO HILLS.

(Notes by Deputy Commissioner)

214. The agriculturist in the Garo Hills obtains money for agricultural purposes mostly by selling his agricultural produce, *e.g.*, paddy, jute, mustard, pulse, ginger, chili, lac and cotton, etc., his extra cattle, livestock and other belongings, as also sometimes by daily labour under Public Works Department, and District Fund contractors, in spare time. He borrows money with interest if the money so obtained be insufficient.

The district may roughly be divided into 2 blocks, *i.e.*, the Plains portion and the Hills.

The system of temporary settlement (*i.e.* Rayatwary) of the plains districts has been introduced in the plains portion of this district. There is no Zemindar or Talukdar in it. The agriculturists generally hold what they can cultivate for themselves. The soil is naturally fertile.

In the Hills portion, the system of *phumung* is practised and the agriculturists of this portion also occasionally borrow money for agricultural purposes only. But most of them do not borrow money.

Loans are taken either —

(1) In cash, repayable in cash.

(2) In cash, repayable in cash, of which the interest is repayable in kind.

(3) In kind, to be repaid in kind.

(4) In cash, to be repaid in kind.

In (1) *i.e.*, in case of loan taken and repaid in cash, the rate of interest varies from Rs. 3-2 to Rs. 6-4 per cent per month usually. This rate goes up to Rs. 12-8 per cent per month but such instances are scarce.

Sometimes loans are taken to be repaid in double the amount received in cash. In such cases deeds are drawn for the doubled amount only and the interest is charged on the above mentioned rate if the amount "doubled" cannot be paid within a contracted period. This sort of loan is taken only in pressing needs.

Up-country and Nepalese professional money-lenders do this business. Government also occasionally grants agricultural loans. Registered or unregistered deeds are drawn, and the time allowed is generally 3 years.

In (2) money is taken in cash, the capital is paid in cash, but the interest is paid in kind. Generally 10 seers of paddy is charged as interest for 1 rupee borrowed for about 4 or 5 months and hence the interest comes to Rs. 12 to Rs. 16 per cent for month. This system is much practised by the Up-country and Nepalese money-lenders and it is very much detrimental to the welfare of the agriculturists.

Both registered or unregistered deeds are drawn and time allowed is generally 4 or 5 months.

In (3) paddy is taken and repaid in paddy. Amount borrowed is not very big. Interest charged is 50 per cent annually, repayable after the harvest of the year. No deed is written and time allowed is generally 1 year. Local dealers lend paddy in this way.

In (4) cash money is taken and repaid in kind, *i.e.*, paddy, jute, and mustard. Usually 1 maund of paddy is to be paid for 1 rupee and scarcely for 2 rupees, after the harvest of the year. In the case of jute and mustard the repayment is to be made at $\frac{1}{2}$ price of the article if not less. Time allowed is generally for 6 to 8 months. Thus the rate of interest goes up to 200 per cent to 250 per cent per annum. This is a favourite method of lending money by the Up-country and Nepali professional money-lenders and this method is slowly reducing many people of the plains portion of the district into paupers.

The Garo district is surrounded by a ring of weekly bazars of its own. Tura in the centre is connected by 3 motorable roads and some other bridle paths. All these weekly bazars are connected by cartable roads, which lead to neighbouring navigable rivers, Railway Stations and Steamerghats, giving great facility to export and import.

A branch line of Assam-Bengal Railway from Mymensingh Gauripur to Gauhati is under proposal, which will pass through western part of the district. Over and above this the Forest Department is constructing 2 motorable roads, which will add much to the facility of export and import.

Main agricultural export of Garo Hills is cotton, ju'e, mustard, ginger, chili, paddy and vegetables, people carry these articles on their heads, shoulders and sometimes in carts to the weekly bazars for sale, and the purchasers send them in carts and in boats to the Railway Stations and Steamerghats to be transmitted to their destinations.

Companies of foreign countries are the greatest customers of cotton, jute and lac. They send their agents to purchase those articles locally. Some Marwaris and Up-country traders also purchase these articles, but

they ultimately sell them to those companies ; in case of cotton it is ginned by a few ginning machines to be sold ultimately to these companies. As such the prices of these articles fluctuate according to the demand of these companies of foreign countries.

The fibre of the Garo Hill cotton being rough and short, it cannot be used for spinning fine threads and hence any and every cotton mill cannot be a customer of it. Hence its value depends upon the demand of a limited number of mills. Hence its price is much fluctuating. The rest of the agricultural products are purchased by local dealers and sold in the plains districts of Bengal.

As regards forming of pool and co operative efforts no attempt has ever been made on this side and no opinion can be passed on its failure or success.

I think co-operative societies are greatly needed for the relief of the badly indebted people, specially for the Jharuas and plains Garos.

Lands of the plains portion of the district are mortgaged and sold. These may be classed into three —

- (a) Homestead land—generally with fruit trees and bamboo groves—price varies from Rs 30 to Rs 180 per acre
- (b) High land—for growing paddy, mustard, pulse, jute, sugarcane, vegetables and fruit garden, etc.—price varies from Rs 45 to Rs 200 per acre
- (c) Low land—for wet cultivation and for pulse and wheat in winter—price varies from Rs 60 to Rs. 240 per acre.

The factors that affect the value of land are (1) density of population (2) fertility, (3) liability of flood, (4) facility of market, (5) scarcity of available waste land.

The value given about is obtained where land is sold by private negotiations. When the land is sold by public auction either for non-payment of revenue or in execution of court decrees, the value goes down a little sometimes in areas where pressure of population is less and facility of communication is bad. But with the increase of population and the consequent demand for cultivated land and scarcity of reclaimable waste land the value of the land remains almost the same whether it is sold by private negotiation or by public auction.

In order to safeguard the interests of the local people it has been ruled by the Government that foreigners will not get settlement of land without Deputy Commissioner's permission and no indigenous people will be able to transfer land to any foreigner or domiciled foreigner without Deputy Commissioner's previous sanction.

There is no mortgage or agricultural bank here for providing with long time credit.

The system of farming is not in practice here (i.e., as in Europe). The owners of the land and their family members cultivate for themselves.

Due to accumulation of debts some of the people of plains portion of the district occasionally get reduced to tenants of the money-lenders.

In the case of the money-lender being a local man the land passes to him and the borrower is turned into a tenant of him. But instances of such cases are not seen much, as in such cases the matter is amicably

settled at the intervention of the relatives of the parties. But in the case of the money-lender being an Up-country man or Nepalese, no such amicable settlement is possible. In such cases the land passes to the money-lender and kept *benami* and the borrower turns into a tenant-at-will, receiving half of the products of the field as a remuneration of his labour and he sticks to it till his relatives find some way to provide him with some other land, if no waste land is available. The money-lender then sells the land at a better profit.

Growing scarcity of waste land will increase gradually such kind of tenants.

Many Jharuas and Garos of the plains portion of the district are badly in debt.

Following are the ways in which loans are given to them —

(a) With land as security in the form of registered or unregistered mortgage.

(b) With personal security without any definite pledge

The rate of interest is enormously high and as a result most of the borrowers can scarcely repay the capital after payment of the interest, which occasionally goes higher than the capital and thus they remain in debt for ever if once they borrow a large amount of money. Repayment is enforced by civil suit and by private arrangements.

Rice milling, cotton ginning, hand spinning, is done by females. Producing vegetables is done by males. Hand spinning and weaving cloth is limited amongst the Jharua females and cotton ginning is done by females of all cotton producing Garo families in order to secure seeds for annual sowing.

Hand spinning and weaving among the Jharuas and plains Garos if encouraged, may improve their economic condition and relieve them to some extent from their indebtedness. The Hill Garos are good customers of coarse cloth and cotton also is locally available at the cheapest rate. Hence spinning and weaving coarse cloth will, in my opinion, become a good source of income for them, moreover thereby they will have engagement for the period of six months for which they sit idly.

Not much capital will be required for the above industry—1 or 2 *charkas* and one or two hand looms will do for a family, and these will not cost more than Rs. 50.

Weaving is done by the females of the Jharuas and mat-making is done by the Garos. All these are done in a very small scale.

Hill Garos prepare a kind of blanket called "Ampak Bara" from the bark of trees. This also has no commercial value.

The people of Garo Hills are very poor in industry.

(Note by former Deputy Commissioner)

215 The Garo Hills district consists of hills and plains. In the hills the village and the land surrounding it within which lie the village *ghums*, are the property of one or more families of the village. Staple crops are rice and cotton. When rice is borrowed, for every maund two maunds have to be repaid. Repayment is generally done in the following season, but if repayment is delayed no further interest is charged. As far as I know the

Garos do not borrow from Mahajans to grow cotton. In fact the shoe seems to be on the other foot. A case was pending when I left in which a number of Garos had sold their cotton crops to a Mahajan in a plains bazar and received written promises of payment which were not honoured. In fact the hill Garo appears to have sufficient cash to carry on trade. In many cases he has so much that he invests in hare-brained schemes.

In the plains there are Muhammadan and Hindu cultivators from Mymensingh and indigenous tribes such as Koch, Hajong, Mech, Rabha and plains Garos. There is an enormous demand for land, as is to be expected on the edge of Mymensingh and a rule was made that no land could be transferred without the previous sanction of the Deputy Commissioner. These plains people, therefore, are not able to mortgage their land to raise loans. I received a number of requests for rural banks or co-operative societies to enable these raiyats to borrow money. Nothing came of it for one reason or another, but I think there is a field for rural banks in the plains of the Garo Hills district. It is quite probable that Garo Hills raiyats borrow money in Mymensingh and Goalpara, but suits concerning such borrowing are very rare in Tura. It is probable that the rate of interest in such cases is very high in the absence of security.

Garos whether in the hills or in the plains are inclined to spend large sums in litigation. A headman will frequently run into debt. If a friend has lent him money for the sake of a case, he will be able to repay it only by giving a share or even the whole of the ancestral land. It was my endeavour to induce the debtor to repay the loans by any means rather than by splitting up a village, but it is generally found impossible.

In disposing of the produce of their fields, *viz*, cotton and lac in the bazars on the edge of the plains, the Garos are at a considerable disadvantage, in that they must sell at once and get back quickly to their village. Owing to the poverty of communications in the plains there is little competition among the purchasers, and there is even combination among them, so that the Garo gets a price lower than they ought to. It would be a good thing if he could deposit his stock in a godown, when the price offered was not favourable, so that he could wait until the market is good. I do not know how this is to be done or whether such a scheme falls within the view of this committee. I give it as an indication of the financial condition of the people. It is hoped that when the railway is opened from Mymensingh to Gauhati, the bigger merchants, such as Ralli Brothers and Volkarts, will be brought nearer to the Garo market and will pay a better price for Garo products.

In the Garo Hills the export of the produce of home industries is negligible.

KHASI AND JAINTIA HILLS.

(*Note by S. G. Nalle, Pleader, Shillong*)

216 The Khasi and Jaintia Hills district consists of the Jaintia Hills British territory, and the Khasi Hills. Only a small portion of the Khasi Hills is under British rule, while a large portion is under the jurisdiction of Chiefs called *Siems*, who are subject to the general control of the Deputy Commissioner, Khasi and Jaintia Hills.

A great majority of the people in the Khasi Hills are agriculturists. Potato, orange, pepper, *pan* leaves and *tezpata* are the chief produce having an extensive export. Paddy, maize, Egyptian taro, arrowroot are also cultivated but the production is not sufficient for self consumption even.

The agriculturist in these Hills raises finance chiefly by borrowing and selling produce of his field and also his cattle. Demands on his purse are mainly—

- (a) for expenses during cultivation,
- (b) payment of rent for lease holds,
- (c) buying necessities of life such as valuables, ornaments (golds, silver, pearl, etc.)

Loans are taken in cash and are repaid either in cash or in kind. Securities accepted are valuable ornaments and landed property and sometimes cattle.

The rate of interest is generally from $1\frac{1}{4}$ to 2 per cent per month but there are cases where interest is as high as from two to four pice per rupee per month.

In cases of landed property documents are always executed and very often registered in the Courts of the Siems or Sirdars though registration is not compulsory.

There are no joint stock or co-operative banks to help the agriculturists. The few banks that are in Shillong are availed only by the residents of Shillong. Those who grant loans to agriculturists are wealthy private individuals and merchants. Potato growers are also in some cases financed by wealthy Marwaris during the cultivation period and in return those growers pledge themselves to sell their potatoes to their financiers.

Deposit of money in Banks and Post Office Savings Banks is unknown among the masses. Those who avail of the Post Office Savings Banks are some educated persons only who reside in Shillong. Those who have money more than enough for their maintenance bury their wealth under the ground.

The only metalled roads in the Khasi Hills are the Shillong-Cherra Road, the Shillong-Mawphlang Road, the Shillong-Laitlyngkot Road and the Shillong-Gauhati Road. The last one connects Shillong the capital of the district with the Railway Station at Gauhati. The chief export which goes by this road is potato. The means of communication are motor lorries. The Rope-way line has just been opened connecting Cherra and Bholaganj and it is expected that a large amount of potato transport will go through this line. The Laitlyngkot-Jaintiapur road is also under construction and when this is finished a great amount of potatoes will also go by that road. A certain amount of potato export is also carried on through Mawdon *Hat* in the west.

Oranges are exported to Calcutta through Sylhet *via* these great buyers or *hats*, namely, Mawdon *Hat*, Phali, Theria *Hat*, Lakhat *Hat* and Dewki *Hat*. The means of communication from these buyers to Sylhet are country boats. *Pan* leaves and bay leaves are also largely exported through Lakhat and Dewki *Hats*.

Within the country produce are carried by motor lorries which are very limited in number, but mostly by pony carts and men and women carriers.

During the process of marketing potato, money is obtained by merchants by borrowing on interest from money-lenders. Foreigners, especially Marwaris, play a large part in financing the potato traders who in return pledge that they must offer their potatoes to them first before selling to others. It goes, of course without saying that the financiers generally buy from those people who have bound themselves to them at a lower rate than that if sold elsewhere.

Though the foreigners have, no doubt, helped a great deal those merchants and growers who are in financial strain during their days of making money, yet from the economic aspect of the country as a whole, this state of thing is detrimental to the financial progress of the country as a whole, because the capital does not circulate in its own country but is drained away to outsiders. In my opinion the existence of co-operative societies is necessary.

Oranges, *pan* leaves *tezpat* are produced in those parts of the country which are near Sylhet district. They are, therefore, conveniently carried by the growers themselves to the bazars or *Hats* situated just on the boundary of the two districts and sold direct to Sylheti *Mahajan* who take them to Sylhet and then export them to Calcutta and other places. Many of these growers sell their produce to those Sylheti *Mahajans* on credit and it is not unusual that those *Mahajans* never came back and the growers suffer a good deal of loss in this respect.

The people of the Jantia Hills feel the necessity of having a metalled road from Jowai to Shillong and they have sent many representations regarding this matter to the Local Government.

Crop growing land may be divided into—

(1) *Garden called Kper*—A Khasi hamlet has a garden attached to it, and crops such as maize, potato, mustard, etc., are cultivated there. Cultivation in these gardens is called *Rep Kper*. Prices of these lands vary according to the locality in which they are situated.

(2) *Open field cultivation area*.—Cultivation in these open fields is called *Rep Lum*. Crops cultivated in these, especially potato are less in value than those cultivated in gardens.

There is no land revenue in the Khasi Hills. Prices of land sold in execution of court is much less in value than when sold by private negotiation.

In order to safeguard the interest of the local people no foreigner is allowed to own more than one piece of landed property, and before buying such land he must first get the sanction of the Deputy Commissioner.

There are no mortgage or agricultural banks here.

Besides agriculture the Khasis also have industries such as cane work cloth weaving by hand, mat-making but on a very small scale.

A weaving school is instituted in Shillong for the training of Khasi girls in weaving by improved looms.

To encourage the weaving Industry the Government grants stipends to the pupils who attend the school.

In the Khasi Hills both men and women work.

SADIYA FRONTIER TRACT.

(Note by the Political Officer.)

217 The conditions prevailing in this district with its extremely varied population are so diverse as to render any report on the general financial condition of the people extremely difficult, if the report is to be kept within reasonable limits and, at the same time, preserve the relative importance of this jungle-clad and scantily populated area with that of the ordinary regulation district.

The Tract may roughly be divided into 2 divisions, *i e*, the area occupied by the various Hill Tribes and the plains area. With regard to the first the economic conditions of the various Hill Tribes depend entirely on two factors which are (1) the industry of the particular tribe and (2) the possibilities of cultivation in the mountainous country occupied by them.

The Abors are by far the most industrious of the Hill Tribes and occupy an area of country which though by ordinary standards could not be called fertile, is still more cultivable than the extremely sheer and precipitous hills in which the various tribes of Mishmis dwell. The Abor lives well, has 3 meals a day and is rarely without meat or fish, etc., to supplement his staple diet of rice. He has sufficient stocks of rice and millet to manufacture a regular and large supply of "Apong" the Abor name for beer manufactured from these cereals and should his crop by some act of God prove to be a comparative failure, he will utilize most of his grain, for manufacturing his (to him) very essential daily drink knowing well that he can obtain sufficient food from yams, jungle roots, jackfruits, etc. The country however is rapidly becoming overpopulated and soon the Abor will have to take to more economical methods of cultivation than *ghuming* or reduce his standard of living. The Chulikata Mishmi is in a very different state. His country is so sheer that cultivation except in very small plots is impossible. He appears to live from hand to mouth and will utilize as food anything that comes his way. By selling "Teeta", wax and musk he obtains large sum in Sadiya which are utilized for the purchase of Mythan (bison) from the Abors. Mythan cannot be kept in the Chulikata country as they are always falling over precipices and killing themselves. The purchased animal are therefore usually slaughtered promptly and, somewhat in the manner of the Red Indian of the American plains after a successful bison hunt, the Mishmi enjoys one gorgeous feast provided by the slaughtered Mythan and for the rest of the year manages to subsist somehow or other in a country which could not, I think, support any less hardy people. The same applies to the Digaru, Bebeja and Kiju Mishmis, though usually to a less degree. The majority of Digarus and Kijus now spend some three months in the plains of Assam, cane cutting and jungle clearing, thus saving 3 months food supplies and further bringing back money with which to purchase additional food to enable them to carry on till another year begins.

The various tribes of Nagas in the south east corner of the district are extremely lazy but appear to live as well as they deserve to.

Among all these hill tribes there are no banking systems and no Co-operative Societies but ordinarily his clan will assist any member who has fallen into a bad way and tide him over his difficulties.

No traders are allowed to sell goods on credit to any hill man. All transactions are in cash and should this rule be disobeyed the trader has no redress in the civil courts should any loans given by him to hill men be repudiated by them. Furthermore the trader runs the risk of severe punishment if he is caught disregarding this rule. With regard to the plains portion of the district the area is inhabited by (1) Khamtis, (2) Singphos, (3) Miris, (4) local Assamese (5) Gurkhalis, (6) ex-garden coolies and other miscellaneous Indian immigrants such as *Jats* from the Punjab and *Komis* from Bihar and Orissa.

The Khamti is a good cultivator besides being an excellent elephant hunter, and is able to live in comfort in his country which provides excellent fields for wet rice cultivation and where wild elephants abound. Were it not for his addiction to opium and gambling the Khamti would be the most prosperous of all the inhabitants of the Sadiya Frontier Tract.

The Singpho though inhabiting the same area is both lazy and a slave to the opium habit and has only himself to thank for the comparative poverty in which he lives.

Miris are equally lazy but do not generally have such fertile lands for cultivation as the Singphos. These tribes fall in the category of hillmen, though now living in the plains, and the same rules with regard to their dealings with shopkeepers and Marwaris being limited to purely cash transactions apply.

The local Assamese is fairly well-to-do and lives on the whole a pleasant life untroubled by financial worry. If he desires to work, he can from his cultivation obtain more than sufficient for his needs and it is only from lack of industry or excess of opium or liquor that an individual falls into want. As a whole they do not suffer from financial worry and are not in the hands of the local Marwaris. The Gurkhal squatters who arrive in the district without any capital and who are usually of thriftless disposition are entirely in the grip of the money lender—whether it be Marwari or their fellow Brahmins or Chetris. Their chief crop is sugarcane and they depend on the selling prices of their *gur* to liquidate the debts they have contracted both on account of the cultivation of their crop and their living expenses during the year. Usually the prices they obtain are quite insufficient to liquidate their liabilities and they then quietly abscond leaving their debts and often Government land revenue unpaid. As a class they form a most undesirable type of settlers and do not deserve better treatment than they obtain from their bankers.

The other types of foreigners residing in the frontier tract are on all fours with their fellows elsewhere in Assam and their economic condition calls for no special comment. As the population grows in the plains portion of the Sadiya Frontier Tract, Co-operative Banking facilities will be provided for deserving individuals. At present the deserving portion of the population is too small to justify this.

BALIPARA FRONTIER TRACT.

(Note by the Political Officer)

218. The population of the plains area of the Balipara Frontier consists of a few regular plains inhabitants such as Cacharis and ex-tea-garden coolies, whose conditions of living and conducting business approximate very nearly to similar people resident in the contiguous districts of Darrang and North Lakhimpur, and small settlements of Dufflas, Garos, and Mikirs. Loans to those latter by traders are not recognised, and are, in consequence, seldom given. To meet the requirements of those people, however, loans are given by Government with interest of $6\frac{1}{4}$ per cent per annum, on security in the form of real and moveable property such as necklaces and other ornaments. A certain amount of paddy is sold by Garos and Cacharis at the neighbouring markets, while the Dufflas specialise in rough mats made from ribs of cane leaves. Payment is received either in cash or kind. The same remarks apply to the various hill tribes who come down to trade during the cold weather. These tribes are Apa Tanangs, Gasis, Dufflas, Akas and Bhutias, who all bring down produce of sort such as chilis. The Bhutias also sell ponies, but the quality of these has deteriorated in recent years, because of the superior attractions of the Kalimpong and Darjeeling markets. The Dufflas do a certain amount of work, such as jungle cutting in the cold weather, while the Apa Tanangs, who do not venture further than North Lakhimpur subdivision, are largely employed in cutting the rice crop in December and January.

PART VII.

INVESTMENT HABIT AND ATTRACTION OF CAPITAL

CHAPTER XVI

Means or institutions in existence for encouraging investment habit. Postal Cash Certificates, Postal Savings Banks, other Savings Banks, Co-operative Banks, Joint-stock Banks classes of population resorting to various institutions

219 The middle-classes in Assam—particularly in the towns—invest their surplus mainly in buying shares in tea companies or local banks or in making deposits in local banks or loan offices, including investments in Co-operative Central or Town Banks and Land Mortgage Banks. In the rural areas, these classes sometimes—but only to a small extent—put part of their savings into rural co operative banks. In the towns, the literate classes also purchase cash certificates or make deposits in the Postal Savings Bank but this mode of investment is not common in the rural areas. Life Insurance Companies in towns absorb a certain amount of savings. In the rural areas the purchase of land is the most popular mode of investment, especially among the Muhammadans. Although one Mauzadar in Sibsagar district has stated that the indigenous Assamese still bury their savings, we think that the weight of evidence we have recorded tends to prove that the hoarding habit is disappearing. There are certain classes like the ex-tea-garden coolies who do hoard but the total amount must be small. On the other hand there is reason to believe that well-to-do classes like the Mahimal fishermen in Sylhet do hoard considerable sums in cases where they do not invest in land, and we have the occasional miser who has wealth stored up and not utilised. The habit of investment in silver and gold—especially in the form of ornaments—still prevails, but is becoming less strong.

We have not been able to obtain any reliable statistics as to investments or savings except as regards certain public institutions and registered companies. In the chapter on Co operation we have given statistics of the working capital; this may be taken as representing mainly local investments and savings. Similarly the figures for the working capital of loan companies and joint stock banks will be found in Chapter XIV. According to the Annual Report on the working of the Indian Companies Act for 1928-29, the paid-up capital of tea companies (other than private) is about 45 lakhs and of private joint stock tea companies is over 12 lakhs. These refer, with one or two exceptions, to concerns which are financed by Indians, mainly residents in the province. Besides, this, there are companies for Life and Provident Insurance, Transit and Transport, Trading and Manufacture, Mills and Presses, Mining and Quarrying, Estate and Building and others. The paid-up capital of these including private companies is a little over 17 lakhs of which probably less than 20 per cent represents European capital. The bulk of the Indian capital, we believe, comes from within the province. We have no information as to the investments of residents of the province in banks or companies outside Assam. We feel certain that the investments of agriculturists in institutions or concerns within the province are negligible and are more or less

confined to shares or deposits in Co-operative Societies with occasional deposits in the Postal Savings Bank or rare purchases of cash certificates

220. The Postmaster General, Bengal and Assam Circle, has supplied the following figures of Post Office Savings Deposits and of the issue of cash certificates in Assam proper —

—	1919 20	1920 21	1921 22	1922 23	1923 24.
1	2	3	4	5	6
	Rs	Rs	Rs.	Rs	Rs.
Savings Bank deposits (Withdrawals not taken into account.)	25,82,513	28,52,694	26,21,607	29,71,532	31,70,108
Cash Certificates (Total amount realised by issue)	5,03,459	1,66,779	1,69,517	2,06,329	10,93,933
—	1924-25	1925 26	1926 27	1927 28.	1928 29
	7	8	9	10	11
	Rs	Rs	Rs	Rs	Rs
Savings Bank deposits (Withdrawals not taken into account)	36,49,350	40,41,151	45,11,287	46,99,103	51,67,506
Cash certificates (Total amount realised by issue)	9,21,362	11,81,219	9,28,420	8,20,141	8,30,716

The issue price of cash certificates of Rs. 10 denomination was —

	Rs	as	p
1917	7	12	0
1923	7	8	0
1926	7	12	0
1927	8	0	0
1929	7	12	0

It is gratifying to note that the amount of savings bank deposits has doubled in the last ten years. The fluctuations in the issue of cash certificates are considerable. After the termination of the Great War, during which there was a fairly large purchase of cash certificates—often secured by the exercise of a certain amount of moral pressure—there were large withdrawals. We are unable to explain the increase in 1923-24. Occasional variations of 4 annas in the issue price up and down do not seem to have any appreciable effect on the issues.

We addressed the Postmasters of head offices in the plains districts with a view to gaining information *inter alia* as to the classes which deposited in the Savings Banks or which purchased cash certificates. Copies of their replies were sent to the Postmaster General who informed us that "It is true that the people in the mufassil, particularly the cultivators, rarely purchased Cash Certificates or have recourse to the Post Office Savings Bank. The reasons are —

1. Illiteracy which renders them suspicious in parting with their money
2. They find it more profitable to lend out money to other villagers
3. Hoarding and purchase of ornaments.

As regards a remedy, propaganda through village headmen might prove to be of some benefit. But the real remedy is in education. There can be no doubt that mainly literate people who live near towns avail of Savings Bank and Cash Certificate facilities and the relative proportion of such people as compared with cultivators and villages would be large."

We think that cash certificates are probably more suited for literate classes and especially for those who would not require to cash the certificates before they mature. The agriculturist does not care to part with money that he is not likely to see again for five years. It is true that the money can be withdrawn at any time, but the agriculturist, we think does not understand this, and even if he did the comparatively low rate of interest if the certificate is cashed in the first two or three years—and no interest at all for the first twelve months—would not appeal to him. We hardly think that propaganda by the village headmen of the type we have in Assam would make any appreciable difference. In the long run, education is the only remedy. Cash certificates can be purchased at any post office which does Savings Bank work. All important offices, such as head and sub offices perform Savings Bank work. As regards village post-offices (Branch Offices), Savings Bank business is started when a demand arises or when there is a likelihood of a number of accounts being opened and, as a matter of fact, many village post offices in Assam do transact Savings Bank business. We are satisfied that there are ample facilities in rural areas both for making Savings Bank deposits and for purchasing cash certificates. The experiment might be made of reverting to the old issue rate of Rs 7-8-0 but we doubt whether this would lead to any substantial increase in investment, and, on the whole, we do not think that any alteration in the rates or terms of issue would improve matters. It is not desirable that this form of investment, with more

favourable terms, should compete with investments such as deposits in rural societies. At present interest is allowed only after one year. We have considered whether interest should be granted after six months. We doubt if this would act as an additional attraction, but perhaps it may be tried.

221 We have received complaints as to the delay and difficulties experienced in withdrawal of deposits from the Post Office Savings Banks and in receiving payment for cash certificates. It is true that Savings Bank transactions probably take more time than the business of money orders, and of insuring articles because certain checks are imperative as well as the making of entries in the registers. Unusual delay is due largely to the irregularities committed by depositors, *e.g.*, in incomplete filling up of the form of withdrawal and to the congestion of work in the early part of the month. The Post Master, Silchar, writes --

"To avoid fraud and false personation certain checks and procedure must be followed. The Savings Bank clerk is required to check the signature on the application for withdrawal with the specimen signature on record. On the satisfaction of the identity, he should prepare the warrant of payment on the reverse of the application and place it with the pass book to the Postmaster who will again satisfy himself with reference to the pass book and the ledger, maintained for each depositor, that the amount to be withdrawn is at the credit of the depositor and then sign the warrant as a permission to pay the amount. The Savings Bank clerk will then make an entry of the withdrawal in the pass book and the journal (an account of the daily transactions) and obtain Postmaster's initial as a token of the correct entry in them. Then the amount is paid to the depositor or his messenger along with the pass book on his signing a receipt for the amount. This procedure is required to be followed for the sake of safety both on the part of the depositor as well as of the department and the delay for this is unavoidable. It is shorter still in the subordinate offices where one person generally performs all the procedure."

The usual cause of delay in the encashment of cash certificates is the necessity for careful identification of the person who presents the certificate. This is particularly true of illiterate persons and of the presentation of cash certificates at an office other than the one where it was purchased. In the interests both of the department and of the purchaser, careful identification is essential. The rules as to the procedure of transfer and encashment must be perplexing to an illiterate person. We do not know how far it is feasible to simplify this. One difficulty that stands in the way of making cash certificates more transferable and negotiable is that the amount held by one person cannot exceed Rs 10,000.

222 We have no recommendations to make for any change in the rules for the transactions of Post Office Savings Bank business. Money can be deposited at any time and there seems to be no case for permitting withdrawals oftener than once a week. The whole object of the Savings Bank is to provide a ready means for the deposit of savings so as to encourage thrift, it is not intended to be used as the means of keeping a current account. The rate of interest—3 per cent per annum is as high as can be expected. Some of the joint-stock banks and loan companies in Assam keep savings bank accounts, but this is not general. The rate allowed by

them varies, in at least one case, it is $4\frac{1}{2}$ per cent. The Imperial Bank rate is 3 per cent on the minimum monthly balance up to Rs. 10,000. If the balance of an account reaches Rs. 10,000 the depositors may transfer the whole or portion to a Special Savings Bank Deposit Account which bears interest at $3\frac{1}{2}$ per cent on the daily balance. In the latter case, three months' notice of withdrawal is required. As we have pointed out in Chapter XI few Co-operative Institutions maintain Savings Bank Accounts. The line of development would appear to lie in encouraging agriculturists to make deposits in rural societies. The system of compulsory deposits in certain of these societies and in one of the land mortgage banks has not, however, been a success.

223 The benefits of the Post Office Insurance fund are available only for Government servants or servants paid from Local Funds. The facilities afforded by this fund are freely availed of by those classes. The insurance can take the form of a life insurance policy on monthly payments of premium or of an endowment assurance policy. Another alternative is the purchase of monthly allowances. There is no doubt Insurance Companies are displaying increased activity in the province and this form of investment is increasing in popularity. The preference seems to be for some form of endowment assurance, not perhaps with a view to providing for the maintenance of the family when the bread-earner is past work as from a desire to have a lump sum at his disposal on retirement to spend as he likes. But at any rate it is a praiseworthy method of saving. It is no rare occurrence for people who are allured by the attractions of insurance as presented by the canvassers to pay up one or two premiums and then stop. We have too little information on the subject to express any opinion as to the soundness of the insurance companies which are at present operating in Assam. The public in some places, *e.g.*, Silchar, have not forgotten, however, the loss they sustained by investment in bogus or at any rate badly managed insurance companies in the past and it is from this point of view that we think it worth considering whether the system of postal insurance could not be extended to the general public. The terms which Government could offer would probably be less attractive than those held out by insurance companies and indeed than those offered to Government servants at present because working expenses in administration would be heavy and because it might transpire that lives of the general public were less satisfactory from an insurance point of view than those of Government servants.

We were asked, at a very late stage in our proceedings, to ascertain if there was genuine demand on the part of the general public for an extension of the Post Office Insurance Fund. We were unable to collect evidence on this point. Doubtless insurance companies would resent any competition with their business, but the public would at any rate have the satisfaction that the investment was safe. This would undoubtedly encourage the habit of saving, and Government would have the use of the premium money for purposes of the development of the country.

We are informed that in England, Government annuities can be purchased in return for capital payments in the form of cash certificates. For example, a regular purchaser of cash certificates who when he arrives at the age of 65 has certificates worth £ 600, can purchase an annuity which will ensure a regular income for the rest of his life. At present rates,

this would amount to an income of £ 63 a year for a man and £ 53 for a woman. This scheme certainly possesses attractions, although we have no information as to the details, *e g*, as to whether any medical examination is required. We suggest that the possibilities of a similar scheme for India in terms of cash certificates might be worked out by Government

224 *Methods of attracting other classes*—We are, in this province, concerned with how the Muhammadans community might be induced to invest their savings. We have touched briefly on this point towards the close of Chapter XIV in dealing with Muhammadan money lenders and we indicated that there seemed to be a growing tendency for Muhammadans to invest money and to accept interest. We realise, however, that in a matter which has a religious aspect, any development must be of very slow growth. In Chapter XI we saw that the fewness of members' deposits in rural societies in the Surma Valley as compared with the other Valley is largely due to the fact that most of the members are Muhammadans and therefore are adverse to making deposits for interest. In both Valleys we had evidence that there are Muhammadans of the upper and middle classes and we think, that most of them have had a fair education—who do accept interest. We would refer to the evidence of Khan Bahadur Dewan Abdur Rahim Choudhuri of Sylhet and of Khan Sahib Nuruddin of Nowgong. The former says "A proposal has been sent to the Registrar for registering a land mortgage bank with Muhammadans as promoters. This indicates that the attitude of educated Muhammadans as to interest on loans has changed. At the conference of the Muhammadan Zamindars this year, where a proposal of a land mortgage bank was discussed, it was pointed out that what the Prophet forbade was the realisation of excessive interest while he did not forbid lending money, which would be of real benefit to a fellow creature". Khan Sahib Nuruddin was asked if he could suggest any means by which persons unwilling to earn interest could make their savings available for the economic development of the country. He stated that Muhammadans were advised by their leaders to utilise any interest earned on charitable purposes. He pointed out that while Muhammadans are not supposed to accept interest the rules had been relaxed as the result of a conference of Punjab Muhammadans to the extent that they could take interest but could only utilise it in charity. He admitted that many Mymensingh immigrant cultivators did take interest and that some Assamese Muhammadans did likewise, but secretly. According to this witness the Koran prohibits usury and the Prophet forbade the taking of interest entirely. His defence of the common Muhammadan practice of taking land in usufructuary mortgage is that this is not against religious precepts provided the mortgagee pays the revenue or rent of the land. He argues that the profits of usufructuary mortgage differ from money interest in that there is a risk of failure of crop. He states that there is the same objection in purchasing cash certificates as in accepting interest on loans. Apparently there is not the same objection to taking out an endowment policy. The suggestion has been made that Muhammadans might be induced to make deposits on condition that after a certain time they would be repaid in gold. A Muhammadan timber merchant of Silchar was asked if this would encourage deposits among Muhammadans, his reply was in the negative. We do not think that there are any special forms of investment which would appeal to orthodox Muhammadans who comprise the bulk of the Muhammadan agriculturists. The favourite line of investment in this pro-

vince for the Muhammadans is the purchase of land, and in this way the purchase money paid would, in many cases, indirectly find its way into circulation through the vendor. We think that the freer flow of Muhammadan capital must be left to the play of natural forces and of changing ideas. No doubt, increased pressure on the soil with the growth of population will be an important factor.

225 *Alleged competition of Government with Joint-Stock banks*—So far as Assam is concerned we have had no suggestion made to us that Government, whether in the issue of cash certificates or in the floating of loans, competes in any way with local Joint Stock-banks.

226 *Existing facilities for the purchase and sale of Government securities and other securities*.—In Assam, Government securities can be purchased through the two branches of the Imperial Bank or through the Post Office. In practice most investors in such securities probably obtain them through Calcutta banks or stock brokers. We have had no complaints that the existing facilities are inadequate. Though the purchase of Government securities through the Post Office is subject to a yearly limit of Rs 5,000 and the total amount which may be left in the safe custody of the Accountant General, is fixed at Rs 22,500 there is the advantage that no fee or brokerage of any kind is charged at any stage, and that so long as Government securities remain in custody of Accountant General, the interest thereon is exempt from income-tax. We suggest that fuller publicity should be given to this. The Post Office rules as to investment are not so widely known as they deserve to be.

227 *Investment Trust, Gold Cash Certificates, Provincial Savings Associations*—On these points we recorded no evidence, beyond putting a question to a Muhammadan witness about gold cash certificates. We thought it unlikely that we would obtain any information of practical use. We would point out that Investment Trusts and National Savings Associations in England are comparatively new creations in an atmosphere which is entirely different from that in Assam. When people in the province become better educated and realise the advantage of saving, it will be time to talk of similar movements here. Meantime they have ample scope for depositing their savings in safe local investments or in Co-operative Institutions if they wish to.

228 *Growth of cheque habit, Recent developments Possible methods of stimulating cheque habit Use of vernacular script in cheques*—The advantages of cheque currency are obvious. It saves the expense of remitting in actual cash and especially if the cheque is crossed is a much safer means of remittance. Apart from hundis which are a form of vernacular cheque and cheques drawn by Europeans on large Joint-Stock banks, having offices chiefly in the Presidency towns, the use of the cheque among Indians is in its infancy but as we have already pointed out in more than one place Joint-Stock banks and loan offices in Assam are beginning to realise the advantages of the cheque and in the last two or three years, several of them issue their own cheque books. Probably the abolition of the stamp duty on cheques is partly responsible for this. Such cheques, however have at present a limited local circulation. Marwaris with whom tea-gardens keep current accounts also issue cheque-books. The manager receives a cheque book from the Marwari and the cheques which he issues on the Marwari firm in payment of local accounts due to various shops are taken by them.

and cashed at the Marwari bank but so far we know they would not be accepted by the big Calcutta joint stock banks. Again, the Tezpur Industrial Bank has a current account with one of the chief Calcutta Joint stock banks. An individual who has to pay an account in Calcutta, will give the Tezpur Industrial bank cash for the amount and that bank will for a small discount, hand him a cheque drawn on the Calcutta bank which will be sent to Calcutta in payment of dues. Some Marwari firms which have accounts with Calcutta Joint Stock banks also issue cheques on them for their clients free of discount. Cheques drawn on Calcutta banks by approved clients, are readily accepted and cashed by Marwari bankers and by certain of the joint stock banks in Assam. Sometimes they are cashed free of charge if the Marwari firm itself requires them for the purpose of making a remittance to Calcutta. To popularise the use of the cheque, a rapprochement between the local indigenous banks or joint stock banks and the Calcutta banks is essential, this is only a matter of time and of the establishment of confidence. It is equally important to educate the people in the advantages arising from the use of cheques but in Assam for a long time to come, we must expect the use of the cheque to be more or less confined to residents of the town who have a knowledge of English. We have no information how far Calcutta banks accept cheques which are drawn in the vernacular. There seems to be no reason why, with some experience and practice, forged signatures in the vernacular should not be as easy to detect as forgeries in English. We think that it is unreasonable to postulate that the growth of the cheque habit must be *pari passu* with the spread of the knowledge of English. At present the use of the cheque in Assam, outside the tea-gardens, is practically confined to residents in towns of the professional or merchant classes. The suggestion has been made that the cheque habit might be encouraged by paying by cheque Government servants who draw over Rs 100 monthly. At present, this is feasible only in the towns where there are branches of the Imperial Bank. It would be no advantage to do so in other places because discount would frequently have to be paid for encashment.

229 Some of us have had experience in places where there is no branch of the Imperial Bank of individuals remitting payment of Government dues like income-tax by cheques drawn on Calcutta banks. In most cases these have had to be returned with a request to remit the dues in cash or notes or by money order. Sometimes, however, such cheques are cashed locally at par by some firm or individual who wants the cheque for sending to Calcutta, the proceeds are then credited into the Treasury. We suggest that the Treasuries should be permitted to accept cheques in payment of Government dues, *e.g.*, for income-tax, large instalments of land revenue and so on. Each Treasury could have a list of approved persons whose cheques might be accepted and the minimum amount which could be received by cheque might be prescribed. We would recommend further that not only cheques on Calcutta banks but also on approved local banks should be accepted. For example, the Sylhet Loan Company keeps a current account for several of its customers on which no interest is paid. We see no reason why cheques on such local company should not be accepted in payment, of Government dues. One result would probably be that more people would keep current accounts in local banks and this deserves to be encouraged as promoting thrift and fostering the banking habit. We think that the element of risk involved in accepting payment of Government dues by cheque would be comparatively small. If it so happened that the bank

refused to honour a cheque because the balance at a customer's credit was insufficient, Government would be in a position by attachment and sale of property to enforce cash payment from the individual concerned, and his name would be removed from the list of approved persons. We believe that the fact that a bank was on the approved list of banks would give it a certain prestige and that in its own interest, it would take steps to see that it was soundly managed, *e.g.*, by keeping an adequate reserve fund and sufficient fluid resource. Furthermore, if local cheques are accepted in payment of Government dues, we think that the use of cheques for general purposes would increase and that the keeping of current accounts would grow. The Agent of the Shillong Branch of the Imperial Bank has pointed out in his memorandum that the abolition of the stamp duty on cheques has certainly caused an increase in the use of cheques generally and that although current accounts have become more popular with certain classes of the community, the main effect has been more in the issue of cheques for paltry amounts than in any considerable increase in the banking habit. We think however, that this is only a partial view. Cheques for paltry sums doubtless entail more work to the bank, but the point is that the customer saves in time and expense by making more use of the facilities afforded by the cheque—and this is just what is wanted.

230 *Extension of banking facilities Branches of Imperial Joint-stock banks* — As regards the branches of the Imperial Bank in this province we have little to add to our remarks in Chapter III. We do not think that at present till internal trade, particularly as regards agricultural produce, is better organised, any extension of branches of the Imperial Bank, or the opening up of branches of the big Joint Stock banks would be a paying proposition.

We are of opinion that in trade centres in Assam, extension of banking facilities should lie rather in the improvement of Indian Joint stock banks which have the advantage of a more intimate knowledge of the local people and of local trade and whose expenses of management would be lower. In Chapter VIII we have suggested the establishment of Commercial banks in certain important trading centres. At the same time, it is necessary that such bank should be brought into contact with the big Calcutta banks by opening up accounts with them, and by the deposit of gilt edged securities so that they may be able to obtain such cash credit or over-drafts as may be necessary for temporary accommodation or for the purpose of facilitating encashment of cheques. It is possible also that the indigenous bankers as indicated in Chapter XIII might combine and form banks of their own. In Chapter IX we have suggested the possibility of some type of industrial bank, for the tea-industry.

231 *Possible uses of Postal Department* — We have already dealt the facilities afforded by the Postal Department for the deposit of savings, for the issue of cash certificates and for the purchase and sale of Government securities. We have hinted at the possibility of the extension of Postal Life Insurance to members of the general public. Co-operative Societies are allowed to open public accounts in the Post Office in each of which they

can deposit up to Rs 10,000. The following suggestions have been made, *viz*, that the Post Office might —

- (a) serve as a place of safe deposit for gold, silver, jewellery, documents, etc. We do not consider this feasible. It would impose too great a responsibility on the Postmaster. He might also find difficulty in furnishing the security which would probably be necessary,
- (b) open current accounts with or without interest for which money might be withdrawn by cheque. We have already noted that savings bank deposits are not intended to serve as current accounts. There seems to be no *a priori* reason why post offices which at present deal with Savings Bank accounts and with the payment of cash certificates, and are therefore accustomed to verifying signatures, should not be able to transact current account business, but we think that current accounts should preferably be opened with local banks so as to make them more useful to the public. Where, however, a reliable local bank does not exist, we can see no serious objection to a post office which deals in Savings Bank business also keeping current accounts and cashing cheques drawn on them. In the experimental stage, however, such facilities should be extended with caution,
- (c) sell for rupees documents called Savings Certificates (Article 67 of the Royal Commission on Indian Currency and Finance, 1925-26) on the understanding that after 3 or 5 years they could be redeemed in gold. Postmaster General, Bengal and Assam, has informed us that he sees no objection to the Post Office being made the medium for such transactions,
- (d) lend out surplus funds on the spot under suitable safeguards and limitations to agriculturists and non agriculturists. In the opinion of the Postmaster General, Bengal and Assam, "some such arrangements would be good but there is the danger that the money-lenders might borrow cheaply from Government to lend out the amount at higher rates of interest. Another difficulty would be the security for such loan. It would be difficult for a man like a postmaster not trained in banking to assess the value of a security." Even assuming that the Postal Department had funds available for the purpose, we consider that this agency is entirely unsuitable for granting loans—a business which requires special knowledge that the average postmaster does not possess.

PART VIII.

SUMMARY OF RECOMMENDATIONS.

CHAPTER XVII

232. We may summarise our recommendations as follows —

Credit facilities required for agriculture.

	PARA.
1 Extension of cultivation in the Assam Valley by immigrants from East Bengal should be controlled in the interests of the indigenous Assamese	19
2 Government should prohibit mauzadars from taking bonds from cultivators for arrears of revenue.	53
3 The extension of rural societies and perhaps grain <i>golas</i> is necessary to check the indigenous system of paddy loans in Sunamganj.	54
4 The agricultural department should extend its seed distribution operations both to individuals and through rural societies.	56
5. The fullest co-operation is desirable between the agricultural and co operative department.	57
6 Agricultural Department officers should advise on the necessity for loans and on their proper utilisation. In case of misapplication the loans should be promptly recalled.	59
7. For permanent improvements to land the facilities afforded by the Land Improvement Loans Act and land Mortgage Bank's are sufficient. It would be premature to use Land Mortgage Banks as an agency for distributing the loans under the Act	62
8 Government should depute officers to advise on the feasibility of constructing channels for the introduction of silt and loans might be given to groups of villagers to carry out the work	62
9 Loans might be granted for permanent fencing to protect cold weather crops from cattle	62
10. Government should give publicity to section 9 of the Act	83

Land mortgage banks

11 Should give preference to loans to ordinary agriculturists though perhaps deserving cases of small landowners might be considered	64
12 Area of operations not to be larger than is consistent with efficient management.	65
13. Loans should be given for the present mainly for the redemption of lands from mortgage and the repayment of old debts. No loans should be given to any one hopelessly involved. Loans should not be given for cottage industries, trade and commerce and only sparingly for the purchase of land	66

14. Though deposits for two or three years are not the best means of financing the banks, they should not be discouraged, provided adequate fluid resource is kept. One defect of long term deposits though they are better than short term deposits for financing, is that owing to the higher rate of interest to be paid on them, the margin between the bank's borrowing and lending rates is narrowed 68
15. A reasonable amount of share capital is necessary, some portion being left uncalled up as reserve liability 68
16. The rate of dividend should be restricted until an adequate reserve fund is built up 68 and 71
17. Period for repayment of Government initial loans to the Kamrup and Sylhet banks should be extended to 20 years, no repayment being required in the first 5 years. Initial loans should be granted to other banks only if a reasonable amount of share capital is paid up 69 and 79
18. Additional Government loans should be granted direct to the Sylhet and Kamrup banks, conditional on arrears being collected and on an attempt being made to build up an adequate reserve. 69 and 79
19. Insistence must be made on punctual repayments 70
20. Government might consider whether in the case of periodic leases it is possible to specify the share of each co-sharer 72
21. Every facility should be afforded for making search in Registration offices as to pre-existing encumbrances. 72
22. Meantime maximum loan should not exceed Rs. 2,500 and minimum should be Rs 300 ... 73
23. Simple mortgages preferable to conditional mortgages. No need meantime of any special legislation to ensure prompt recoveries. 74
24. Loans should be granted to individuals or perhaps to groups of individuals but not to rural societies. 75
25. Borrower should be given an opportunity of suggesting period of repayment and dates of instalments 76
26. Expansion should meantime lie not in the direction of the registration of further banks, but in the firm establishment of existing banks on sound lines. ... 77
27. A loan misapplied should be promptly recalled. If it is granted for repayment of debt, or redemption of existing mortgage, the creditor's receipt and the mortgage deed should be made over to the bank. 77
28. Government should contribute towards the pay of the valuer. 79

29 Fees for making searches in the Collectorate and Registration offices regarding title and existing mortgages should be remitted or reduced. It might be feasible for an official of the bank to make the searches.

79

30 Issue of debenture bonds is at present premature. When the time comes for floating debentures—which form the best means of finance—they should be issued by a central institution like the provincial bank and should be of 20 to 30 years duration. Government should subscribe to a minimum (say) of two lakhs without any guarantee of principal or interest on condition that the public subscribed to a like amount. The bonds should not be made trustee securities in the early stages of issue.

80

31 The provincial bank might grant short term loans where deposits which mature cannot conveniently be paid off with the funds in the hands of the banks but this should be exceptional.

82

Agriculturists Loans Act

32 As is the policy at present loans should only be given in certain contingencies such as destruction of crops by floods or a spell of drought or for the purchase of cattle in the case of an epidemic.

84

33 When loans are given on occasions of widespread calamity, detailed enquiries as to the needs of each individual are not practicable and loans must necessarily be given in comparatively large groups. Where, however, the urgency is less pressing, detailed enquiry is advisable and the formation of smaller groups. Distributing officers should be on the look out for exactions by headmen and others.

84

34 Loans for purchase of cattle should be sufficient for the purpose without the cultivator having to borrow from other sources.

85

35 Every attempt should be made to realise from each individual his own share. Joint liability should only be enforced as a last resort and then should be apportioned as fairly as possible among all the borrowers in the group.

86

36 Realisations must be strictly enforced where the borrower is able to pay and extensions should only be granted sparingly. Full use should be made when occasion demands of the Assam rules 15 and 17 for suspension and remission. Dates of repayment should be fixed with due regard to the times of harvest. For cattle loans repayment should be in two years in two *lists*.

86

37. Loans should be given, even in more or less restricted localities, where the crop has failed for two or three successive years and cattle loans should be liberally given even for specific villages in cases where has been heavy cattle mortality. The whole loan should be realised at once if cattle have not been purchased or if the loan has been misused.

87

- 38 Loans for immigrants who have newly come to Assam are not recommended 87
- 39 Government should give publicity to Assam rule 26 87

Marketing.

40 Though marketing facilities are not inadequate, communications are defective in some districts, and Government should continue, so far as funds permit, to make liberal grants to local boards for the construction of minor and village roads and for the maintenance of existing roads, but local boards must assist by increasing their own funds by such forms of taxation as are within their power 90

41 If, in accordance with the suggestion of the Royal Commission on Agriculture the Local Government make an enquiry into the possibility of standardisation of weights and measures, the question of having a *doon* of standard capacity should be considered. 91

42. There are great abuses in the system of advances, and the remedy must be sought for in dispelling the ignorance of the cultivator, in teaching him to be more thrifty and hardworking, and in affording him facilities of finance on reasonable terms through rural societies ... 93 and 104

43 Co operative jute sale societies are not likely to be successful unless the advances which the members owe to the Marwaris are first cleared off Only if the local people interested show their confidence in the society by subscribing a reasonable amount of share capital should Government consider the advisability of granting a loan It is essential that some one with business experience and a knowledge of the jute trade should be in charge of such a society It is desirable that such societies should be made a success if possible and the Government of Assam could gather information as to the progress made by similar societies in Bengal so as to determine what steps should be taken in Assam 95

44 The question of licensed warehouses for Assam is premature. ... 96

45 Government might by telegrams or bulletins circulate the market price of jute ... 97

46 Though the policy of sale societies for agricultural produce should be a cautious one, a well-considered scheme is worth trying as, if successful, it means much to the cultivator, but it is essential that the members should be loyal to the society ... 97

Organisation of internal trade.

47. Though the scope for commercial banks in Assam is at present limited, some attempt should be made to establish such banks in one or more of the chief trade centres, preferably in the Surma Valley Government should assist with expert advice as to the lines on which such banks should be run but financing should be left to the enterprise of local people. 105

Organised Industries

PARA

48 Initial capital for opening out tea gardens till the profit making stage is reached should be provided by the proprietors and an adequate reserve, by limiting dividends, should be built up to tide over a time of crisis.

108
and
109

49 It is desirable to establish some type of industrial bank in Calcutta with branches in Assam which could grant accommodation for a temporary or extended period to industries in general and to the tea-industry in particular. Government should take up shares or debentures in the bank.

109

50 The Revenue and Forest departments should enquire into the allegations as to the absence of land suitable for some trees and as to the extinction of the *mezanlon* tree.

113

51 Pupils of the weaving schools should on return to their villages spread the knowledge of improved methods, Government weaving parties should assert themselves and make their presence known in the villages. If it can be shown that their teaching is being carried into practice by the villagers, Government may consider the advisability of adding to their numbers.

114

52 The working capital of the Gauhati Emporium should be increased.

114

53 At present inmate conservatism, failure to adopt improved methods, and social disapproval are great drawbacks to progress. The remedy lies in the extra effort demanded by increased pressure on the soil and by a continued desire to maintain a higher standard of living.

115

54 Weaving for home consumption does not require financial assistance but credit facilities are often necessary when cloth is woven for the market. The Government weaving department should continue to supply improved looms and other appliances for cash or on the hire purchase system, and the loans at 6 per cent interest by the department of Industries should be more numerous. Yarn could be supplied for cash by the weaving parties or possibly through rural societies. The best solution, however, would be the establishment of industrial or sale and supply societies on co-operative lines for the supply of cocoons and yarn and for the sale of the finished product. These societies, however, require close supervision and capable management. Assistance would be required by Government in the form of an expert attached to the Department of Industries and of loans at a low rate of interest.

120

55. As regards industries such as the making of mats and fishing nets, the co-operative department when the staff is increased should endeavour to establish rural societies.

118

56 In connection with any scheme for the development of cottage industries, the report of the Hon'ble Rai Bahadur Kanak Lal Barua may be studied with advantage.

Agricultural and subsidiary crops

57 The cultivator should endeavour where possible to grow two crops instead of one, including cold weather crops.

116

58 It is the task of the Agricultural Department to induce the cultivator to try improved deeds and to adopt new methods. This will be done largely by Agricultural Demonstrators some of whom should exert themselves more and should also give previous notice of their visits to villages. But at the same time all efforts of the Agricultural Department will be useless unless the cultivator shows his willingness to carry into practice the instructions he receives.

116

59. In cases where new crops are tried, the Agricultural Department might give seed on credit on condition of repayment after harvest. In times of distress seeds could be distributed through rural societies or sold on credit to individuals by the Agricultural Department on joint bonds which could be made over to the revenue authorities for realisation. For improved plant in *gun*-making, loans might be granted under rule 26, framed under the Agriculturists Loans Act. Though little capital is required for rearing of the *muga* worm, small grants might be made by the Department of Industries in genuine cases. It is desirable to start more milk societies in the province with the assistance of Government grants on low interest. Nepali dairy business might receive similar assistance.

117

60 There should be a larger allotment for agriculture in the provincial budget. Government might by scholarships grant increased facilities to those who evince a genuine desire to study agriculture in colleges outside Assam.

120

61 The Advisory Board of Department should continue to recommend measures for stimulating the growth of agriculture, cottage industries and the co-operative movement.

120

Remittance facilities and negotiable instruments.

62. More should be done in the way of granting advances against railway receipts and steamer bills of lading and in collecting the price of the goods on behalf of the senders.

122

63. The duty on bills of exchange payable otherwise than on demand should be half the present rate when payable not more than one year after date or sight. In bills payable at more than one year after date or sight, the present stamp duty should be retained. This reduction of duty on bills need not affect the duty on bonds. In Assam the loss of revenue consequent on the reduction in stamp duty recommended will be negligible.

123

64. Nothing should be enacted which would upset the existing practice by which the commercial community ensure the safety of *hundis* by writing specific instructions on the face, in the absence of an expressed wish on the part of the commercial community for alteration. It may be advisable to create a type of cheque which being drawn originally payable to bearer will always remain so payable, but this is a matter on which the commercial community in large trading centres in India are best fitted to advise. . . 124

65. A standardised *hundi* or bill of exchange would probably increase the number of *hundis* which would have widespread circulation throughout India and thus promote mobility of credit and be the beginning of an organised money market . . . 125

66. Where a merchant has reason to complain of lack of prompt service from the treasury he should bring it to the notice of the officer in charge. . . 126

67. The rate for supply bills and telegraphic transfers should be reduced to 1 anna for sums of Rs. 5,000 and over, and every facility should be afforded for making remittances by supply bill to places outside the province. . . 126

68. Some reduction in the rate of commission is desirable both for money orders and for V. P. P. . . 126

69. There is much to be said in favour of remittance of half notes by Insured Post . . . 127

Co-operation.

70. The greatest importance must be attached to the initial steps taken in organising a rural society. The 'area' of its operation and its membership should be limited so that the members may be fully acquainted with each other. . . 138 and 139

71. Rural societies should be affiliated to Central Banks. In subdivisions which have no Central Banks, the rural societies should be financed by the district Central Bank, Government paying the cost of an extra Supervisor. . . 138

72. It should be explained to members of rural societies that they have full power to get rid of unsatisfactory or dishonest office-bearers or panchayat members. . . 138

73. Loans for repayment of debts of members of rural societies should be refused unless there is a reason to believe that they can be repaid in 3 years. The Central Bank should strictly scrutinise loan applications received from rural societies. . . 141

74. Central Banks should make every endeavour to realise overdrafts, should take steps to see that they do not accumulate in future, and should make adequate provision

for Reserve Fund and fluid resource. Affiliated Rural Societies should be better represented on the Board of Directors of the Central Bank and should be paid a reasonable allowance for attending meetings. The Registrar in his annual report should deal with the overdues of Central Banks ...

145

75. The Provincial Bank should have a whole time manager with banking experience. An endeavour should be made to secure a better attendance of mofussil members at important meetings of the Provincial Bank, Central Banks and the Provincial Bank sharing the expense. It is desirable that affiliated institutions and not representatives of individual share-holders should have the preponderating voice in the Provincial Bank.

146

76. The Provincial Bank should make no delay in disposing of loan applications from Central Banks .

146

77. Efforts should be made to secure an improvement in Co-operative stores by insisting on cash payments. ..

147

78. The Registrar of Co-operative Societies should also be Directors of Industries but the Agricultural Department should be placed in the hands of a separate officer, preferably an expert

148

79. The post of Assistant Registrar should be filled by an Officer of the Assam Civil Service, and, one, if not two junior officers should be given a thorough theoretical and practical training in co-operative work in the Punjab or Bombay and then attached as supernumerary to one of the Assistant Registrars.

148

80. The present staff of 11 Inspectors should be increased by 3 Inspectors and 7 Auditors for rural societies. One selected Inspector, to be designated an Education Inspector, should be trained in the Punjab or some other province where there are special facilities for training. He could then train all the Inspectors. Cost of the pay of Auditors should be borne by the rural societies, except perhaps in the case of the newer or poorer societies

149

81. The primary duty of the Auditors of rural societies who would be trained by the Provincial and Divisional Auditors would be to conduct a thorough audit which would not be confined to a mere compilation of figures for the annual report. The chief task of the Inspectors would be to guide and instruct and advise the *Panchayat* and members of the rural societies as to their duties and responsibilities. .

149 and 153

150

82. The Inspectors and Auditors should train and guide the Secretaries of rural societies and town banks. The provincial Auditor should train the Secretaries of Co-operative Stores and the Divisional Auditors, the Secretaries of the Central Banks. Supervisors of the Central Banks should attend the training classes of the Inspectors. ...

151

- 83 The Secretaries of rural societies might be allowed to receive up to 25 per cent of the net profits as remuneration on condition that the overdues did not exceed 25 per cent of the outstandings . . . 151
- 84 It is desirable that Central Banks should encourage short term loans on *promotes* at a concession rate of interest, to be repayable in one instalment out of the proceeds of the next harvest . . . 152
- 85 More care should be taken in the preparation of *haisrats* and in keeping them up-to-date . . . 153
- 86 Extensions of loans to members of rural societies should not be granted too freely. Strict attention should be paid to overdues. By fixing proper *last* dates and by better enquiry into the purpose of the loans, overdues could be minimised. Both Central Banks and rural societies should keep separate ledgers for overdues . . . 154
87. While it is no part of the duties of the Supervisors of Central Banks to audit or to organise rural societies, they can properly perform the duties of supervision and education as regards rural societies. They should not be allowed to have too much power in the Central Banks and the Directors of the banks and the Assistant Registrars should endeavour to promote a harmonious relationship between the Supervisors and the Inspectors . . . 155
88. It is advisable that District Officers and Sub-divisional Officers should take an interest in the co-operative movement . . . 156
- 89 District Officers and Subdivisional Officers should endeavour to enlist the sympathies of non-officials to take an interest in the co-operative movement. Village pundits and students of secondary schools and University Colleges should be taught something of the movement. . . 156
- 90 The two co-operative organisation societies in the province deserve encouragement . . . 157
- 91 The time is not yet ripe for Assam to have a Co-operative Societies Act of its own . . . 158
- 92 For the present, the main line of development must lie in the improvement and consolidation of rural societies rather than in their numerical expansion . . . 160
- 93 Co-operative societies for assisting the weaving industry should be started, but with caution. Government should assist with loans on a low rate of interest. . . 160
94. With a view to encouraging long term deposits, interest on deposits made for 5 years or more should be exempt from income-tax . . . 161
- 95 A remission should be granted of three-fourths of the money order commission to rural societies making remittances to Central Banks . . . 161

96. Permission should be granted to local bodies to deposit surplus funds, provident fund money and contractors' deposits with such Central Banks as are certified by the Registrar to be suitable for the purpose . . . 161

97. The Provincial Bank should not be given the exclusive right to borrow locally by attracting provincial deposits for financing the co-operative movement in the province but Central Banks should continue to collect deposits 162

98. The Provincial and Central Banks might make more use of the big commercial banks by depositing in them funds for which they had no immediate need and *vice versa* the commercial banks could lend to the co-operative banks in their slack season. 163

Legislation and Legal Procedure.

99. As a general principle restrictions on the transfer of land are undesirable but in Assam there is justification for the retention of the clause in periodic pattas of the Assam Valley, prohibiting transfer of agricultural land to non-agriculturists without the permission of the Deputy Commissioner. This clause provides a useful reserve power which would only be enforced in the case of certain specified less provident classes of the population or in respect of particular areas . . . 168

100. No case has been made out for any amendment in the Usurious Loans Act of 1918 . . . 169

101. No legislation on the lines of the Punjab Regulation of Accounts Act of 1929 applicable to moneylenders should be undertaken in Assam till experience is gained of the working of that Act. 170

102. There should be a Rural Insolvency Act suited for the ordinary agriculturist, but this would not apply to debts under Rs 200 and the burden of proof that he was unable to pay would lie on the debtor . . . 171

103. It is advisable to have a record-of-rights for the permanently settled areas of Sylhet and Goalpara, but it will be of little value unless it is kept up-to-date. 172

104. Sylhet district should have a Tenancy Act on the lines of the Goalpara Tenancy Act . . . 172

105. Settled tenants holding under lease holders in Government lands should be given occupancy rights and the right to transfer lands with the landlords' consent . . . 172

106. The preliminary mortgage decree might serve as the final decree provided the judgment debtor is given reasonable time to pay up. The notice of one month of arrest might be shortened . . . 173

107. More officers are probably necessary for civil work in the Assam Valley 173

108 It must be left to the discretion of the Court in execution proceedings to decide whether interest should or should not be allowed from the date of decree and what instalments for payment should be granted. If, however, payment by instalments extending over one year is granted, the Court might at its discretion allow a moderate rate of interest—six per cent—on instalments due for repayment after one year. . . . 174

109. No case has been established for making equitable mortgages current in Assam . . . 175

Indigenous Banks

110 The stamp duty on hand-notes or promissory notes could conveniently be a flat rate of two annas, irrespective of the amount in the notes . . . 191

111 No steps should be taken to enforce publicity of accounts in the case of indigenous bankers or to impose any sort of Government supervision over them. At the same time it is in the interests both of the indigenous banker and of depositors that his business should be conducted in all its aspects on safe and sound lines. . . 194

112. It is in the interests of the Marwari banker to be less conservative and not keep apart from modern developments in banking . . . 195

113 Sound banking must begin not at the top but at the bottom with a radical improvement of the mental and moral outlook of the cultivator making it possible for him to offer better security so that he can get accommodation from the Mahajan on more reasonable terms. This may lead to the creation of small indigenous paper or sound commercial bills which may be readily discounted and rediscounted forming the basis of a real money market in which the indigenous banker would form a real link in the chain. . . 196

Other indigenous credit agencies.

114 No concession should be given to money-lenders as a class for summary realisation of their dues. Local influence must be relied upon to induce them to make deposits in co-operative institutions. There should be no legislation compelling money lenders to give publicity to their accounts.

115 Joint-stock banks would be well-advised not to take overdue interest into account in calculating profits. . . 200
204

Banking law: Joint-stock Banks.

116. A clear definition on "banking" is impossible and to lay down a definition that is indefinite or open to ambiguity is undesirable. The important point is that the business—whether it is called money-lending or banking—should be conducted on sound lines. . . . 205

117 In Joint-stock banks some restriction should be placed on the declaration of dividends until an adequate reserve fund has been built up. No advances should be made against the shares of the bank. Amendment of the Indian Companies Act is necessary to secure these ends.

205

118 It is desirable that a certain ratio of the bank's resources should be kept in liquid form to meet the claims of depositors. It is also advisable to fix the proportion which paid up capital *plus* reserves bears to the bank's liabilities—perhaps 10 per cent. Instead of legislation to fix these ratios, it might suffice if the half-yearly statement in Form G contained the information, the correctness of which the auditor could verify at the time of audit.

206

119. Depositors in joint-stock banks should receive a copy of the annual accounts.

206

120 It is preferable that accounts of joint-stock banks should be audited by a Government auditor.

206

Cattle.

121 Though grazing areas may be inadequate or of poor quality the cultivator can do much by his own efforts to improve the condition of the cattle by reducing their numbers, by making more use of stall-feeding and by better breeding. Jungly grazing reserves might be leased out for cultivation for two or three years to have them cleared.

209

122 The Agricultural Department could demonstrate how fodder crops can be grown.

209

123. To deal with cattle epidemics it is possible that intelligent villagers might be taught how to inoculate and castrate. In any case local boards should be urged to increase the veterinary staff as much as possible.

210

Investment habit and attraction of capital

124. Postal cash certificates are more suited for the literate classes than for the agriculturists who would have to be educated up to the benefits of purchasing them. The former purchasing rate of Rs. 7-8-0 might be re-introduced though it is doubtful if this would lead to increased sales.

220

125 It is not desirable that postal cash certificates, with more favourable terms, should compete with investments, such as deposits in rural societies.

221

126 Interest on postal cash certificates might be allowed after the first 6 months though it is doubtful if this would be an additional attraction.

221

127 As regards agricultural savings the line of development would lie rather in inducing the cultivator to make deposits in rural societies than in the Post Office Savings Bank.

223

128 Enquiry should be made by Government as to whether Postal Insurance should be extended to the general public and into the feasibility of a scheme for the purchase of annuities by cash certificates ..

223

129 There is no special form of investment which would appeal to orthodox Muhammadans beyond investment in land. The free flow of Muhammadan capital must be left to the play of natural forces and of changing ideas. Increased pressure on the soil with the growth of population will accentuate the process. ...

224

130 Fuller publicity should be given to the facilities afforded by the Post Office for the purchase of Government securities free of any brokerage charges and of their deposit with the Accountant General free of Income-tax ...

226

131 It is premature to consider methods of investment such as investment trusts, gold cash certificates, and Provincial Savings Associations ..

227

132 To popularise the use of the cheque a rapprochement between the local indigenous banks of joint-stock banks and the Calcutta banks is essential. ..

228

133 Cheques in the vernacular should be popularised. It is unreasonable to postulate that the growth of the cheque habit should be *pari passu* with the spread of English education. ..

228

134. Treasuries where there is no branch of the Imperial Bank should be permitted to accept payment of Government dues over a certain amount by cheques drawn by persons on an approved list on approved banks ...

229

135. In trade centres in Assam extension of banking facilities should be rather in the form of development of local Indian joint-stock banks than in the establishment of branches of big commercial banks. Such banks should be brought into contact with the big Calcutta banks by opening up accounts with them and depositing gilt-edged securities so as to obtain cash credit or overdrafts for temporary accommodation or for facilities in cashing cheques ...

230

136 It is not feasible to use the Post Office as a place for the deposit of gold, silver, jewellery, documents, etc.

231

137 Current accounts should ordinarily be opened in reliable local banks but where these do not exist, an experiment may be made of allowing them to be opened in the Post Office. ...

231

138 The Post Office may be used for the sale of gold cash certificates ...

231

139 The Post Office should not be employed for lending out its surplus funds.

140. The Assam Advisory Board for Development should act as a permanent organisation for maintaining an interest in economic conditions and banking. ...

233

233 *Conclusion* — We admit that our report consists for the most part of a collation of material appertaining to rural economy and that little has been said about banking in the sense in which that term is used by the commercial world. In Assam we have to deal for the most part with what may be called rural India and our chief concern has been to ascertain the main facts about agricultural credit. We have attempted to show the extent and to diagnose the causes of rural indebtedness. We have also made some recommendations which we hope may help to improve the economic position of the raiyat. It may be argued that the fate of the average cultivator is no better than he deserves. His standard of output is low because he does not exert himself more or because he has a contempt for manual labour, he lacks the stimulus of ambition, he has no thought for the morrow and spends too much in unproductive expenditure—largely because he has old debts to pay. But the worst possible policy is to accept these facts as unalterable. We believe that amelioration is possible.

We cannot emphasise too strongly the incubus of ignorance and illiteracy that lies so heavily upon the agricultural community. We are of opinion that national well-being—and in Assam this means the sound economic condition of the ordinary agriculturist—depends on the progress and dissemination of sound popular education in the broad meaning of the word. It is this, as Professor Marshall says, that “makes the mind elastic, ready to take in new ideas and able to communicate freely with others.” We do not claim, however, that this, by itself is sufficient. Habits of thrift, hard work, and punctuality are also essential, and it is here that we think the co-operative movement has an important part to play. If members of rural societies could only properly imbibe the principles of co-operation, we are convinced that material advancement would go hand in hand with self-reliance and foresight which would enable the small producer to deal with the village Mahajan or the buyer of produce on terms which would not be inequitable and to secure—as he does not at present—a fair return for his labour.

It is not to be expected that any immediate or substantial change will emerge as the result of any review of economic conditions. In such matters there is no magic wand to effect a transformation. But provided that the country enjoys peace and security—and this is a necessary condition—we believe that an improvement will gradually ensue if the agriculturist receives assistance and advice where necessary. It is, however, essential that there should be a general awakening of public interest in the economic conditions of the province and in banking—especially co-operative banks—and that this interest should be kept alive by some permanent organisation. It must, however, be an organisation for a practical purpose and not for its own sake. The organisation would have to deal with live problems affecting mainly the welfare of the agricultural community but not exclusively so, because, after all, in India the prosperity of the commercial, industrial and even the professional classes depends on the prosperity of the masses—the toiling millions in the villages. We have referred elsewhere to the Advisory Board for Development which exists in Assam. We suggest that this Board might serve as a permanent organisation, but its constitution might include a Marwari indigenous banker, a representative of the Imperial bank or one of the Indian Joint

Stock Banks in Assam, and a practical cultivator, keen on agricultural experiments. As instances of the questions which the Board could take up, we might cite the improvement of rural societies, the development of land mortgage banks, the spread of primary education, the resuscitation of cottage industries, the remedy for the system of paddy loans in Sunamganj, the further extension of the Agriculturists' Loans Act for the purchase of cattle, the formation of jute sale societies, and the establishment of local commercial banks. Practical problems there are in abundance : what is wanted is the co-operation of willing heads to try and solve them.

J. A. DAWSON,
Chairman and Secretary.

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